

**SKYCITY Entertainment Group Limited**

Federal House 86 Federal Street

PO Box 6443 Wellesley Street

Auckland New Zealand

Telephone +64 (0)9 363 6141

Facsimile +64 (0)9 363 6140

[www.skycitygroup.co.nz](http://www.skycitygroup.co.nz)

12 September 2014

ASX Market Announcements  
Australian Stock Exchange  
Exchange Centre  
Level 6  
20 Bridge Street  
Sydney NSW 2000  
**Australia**

Dear Sir/Madam

**SKYCITY ENTERTAINMENT GROUP LIMITED (SKC)  
NOTICE OF MEETING, ANNUAL REPORT AND RELATED DOCUMENTS**

In accordance with ASX Listing Rule 3.17.1, please find **attached** the following documents relating to SKYCITY Entertainment Group Limited's ("**SKYCITY**") upcoming 2014 Annual Meeting of shareholders, which will be sent to security holders today:

- (a) Notice of Annual Meeting;
- (b) Attendance Card and Proxy/Voting Form;
- (c) Notice to SKYCITY shareholders pursuant to NZX Listing Rule 10.4.4(b);
- (d) Letter to SKYCITY shareholders (postal version);
- (e) Letter to SKYCITY shareholders (email version);
- (f) Letter to SKYCITY capital noteholders (postal version); and
- (g) Letter to SKYCITY capital noteholders (email version).

SKYCITY's Annual Meeting will be held on Friday 17 October 2014 commencing at 10.00am (New Zealand time) in the New Zealand Room, Level 5, SKYCITY Auckland Convention Centre, 88–96 Federal Street, Auckland, New Zealand.

In addition, in accordance with ASX Listing Rule 4.7.2, please find **attached** SKYCITY's Annual Report for the year ended 30 June 2014, which will be available from SKYCITY's website later today.

Yours faithfully



Peter Treacy  
Company Secretary

SKYCITY ENTERTAINMENT GROUP LIMITED

# NOTICE OF ANNUAL MEETING

17 OCTOBER 2014



# NOTICE OF ANNUAL MEETING

The 2014 Annual Meeting of Shareholders will be held on Friday 17 October 2014 commencing at 10.00am (New Zealand time) in the New Zealand Room, Level 5, SKYCITY Auckland Convention Centre, 88–96 Federal Street, Auckland.

## AGENDA

Shareholders will be asked to consider and, if thought appropriate, pass the following ordinary resolutions:

1. **TO RE-ELECT BRENT HARMAN**  
Brent Harman retires from office at the Annual Meeting and, being eligible, offers himself for re-election.
2. **TO RE-ELECT SUE SUCKLING**  
Sue Suckling retires from office at the Annual Meeting and, being eligible, offers herself for re-election.
3. **TO AUTHORISE AN INCREASE IN THE TOTAL FEES FOR NON-EXECUTIVE DIRECTORS FROM \$1,300,000 (PLUS GST, IF ANY) TO \$1,365,000 (PLUS GST, IF ANY) FOR EACH FINANCIAL YEAR, BEING AN INCREASE OF \$65,000 (PLUS GST, IF ANY), AND THAT SUCH INCREASE TAKE EFFECT FROM 1 JULY 2014**
4. **TO AUTHORISE THE DIRECTORS TO FIX THE FEES AND EXPENSES OF THE AUDITOR OF THE COMPANY**

All items of business are ordinary resolutions and are required to be passed by a simple majority of the votes of those shareholders entitled to vote and voting on the resolutions.

## EXPLANATORY NOTES

Explanatory Notes on the directors offering themselves for re-election, the proposed increase in non-executive directors' fees and the fixing of the auditor's fees and expenses are attached to and form part of this Notice of Annual Meeting.

## ATTENDANCE

All shareholders are entitled to attend and vote at the Annual Meeting or to appoint a proxy or representative (in the case of a corporate shareholder) to attend and vote on their behalf. The appointment of a proxy or representative does not preclude a shareholder from attending and voting at the Annual Meeting in place of the proxy or representative.

## PROXIES

A proxy need not be a shareholder and may be appointed online or by completing the form accompanying this Notice of Annual Meeting. The appointment must be lodged online at [www.investorvote.co.nz](http://www.investorvote.co.nz) or, if you complete the accompanying form, received by Computershare Investor Services Limited, Level 2, 159 Hurstmere Road, Takapuna, Private Bag 92119, Auckland 1142 by no later than 10.00am (New Zealand time) on Wednesday 15 October 2014.

You may appoint the Chairman of the Annual Meeting as your proxy. If you appoint the Chairman as proxy and have marked the 'proxy discretion' box in relation to any of resolution 1, 2 or 4, the Chairman will vote for that resolution. However, the Chairman will abstain from voting where he has been given such discretion for resolution 3.

Please note that your proxy will not be able to vote at the Annual Meeting unless you have provided a voting direction or discretion.

#### **VOTING RESTRICTIONS**

In accordance with the NZX Main Board Listing Rules and the ASX Listing Rules, the company will disregard any votes cast on resolution 3 by any director of SKYCITY and any of their associated persons (as defined in the NZX Main Board Listing Rules) or their associates (as defined in the ASX Listing Rules), except where any such vote is cast by that director or one of their associated persons or associates as proxy for a person who is entitled to vote and the director or that associated person or associate votes in accordance with express instructions to vote for or against a particular resolution on the proxy form or online proxy instructions.

As noted above, where the Chairman is appointed as a proxy he will abstain from voting on resolution 3, except where he has been given express instructions to vote for or against that resolution.

#### **GENERAL**

Please note that all dollar amounts stated in this Notice of Annual Meeting are expressed in New Zealand dollars.

Yours faithfully

A handwritten signature in black ink, appearing to read "Peter Treacy".

**PETER TREACY**  
COMPANY SECRETARY  
12 September 2014

# LETTER FROM THE CHAIRMAN

## DEAR SHAREHOLDER AND/OR CAPITAL NOTEHOLDER

I am pleased to invite you to the 2014 Annual Meeting of SKYCITY Entertainment Group Limited to be held on Friday 17 October 2014 commencing at 10.00am (New Zealand time) in the New Zealand Room, Level 5, SKYCITY Auckland Convention Centre, 88–96 Federal Street, Auckland.

Shareholders attending the Annual Meeting may park free of charge in the SKYCITY Auckland Main Car Park. Please take a ticket on entry into our car park and we will replace your ticket with a prepaid one at the Annual Meeting.

As in previous years, shareholders and capital noteholders are invited to attend the Annual Meeting and to ask questions about the operations and management of the business. Capital noteholders who are not also shareholders are reminded that only shareholders (or the proxies or corporative representatives of shareholders) are entitled to vote on the resolutions which are included in the agenda for the Annual Meeting.

If you wish to vote by appointing a proxy to vote on your behalf, you may direct your proxy to vote for or against a resolution, to abstain from voting or to exercise their discretion as to how to vote.

SKYCITY's Chief Executive, Nigel Morrison, and I will summarise SKYCITY's performance during the 2013/14 financial year and provide an update on current trading. Shareholders and capital noteholders will then be invited to ask questions relating to the operations and management of the business before we move to the resolutions as set out in the agenda.

Agenda items for the Annual Meeting relate to the re-election of directors, a proposed increase in directors' fees and authorisation for directors to fix the fees and expenses of the external auditor.

Brent Harman and Sue Suckling are standing for re-election as directors at the Annual Meeting. The board has determined that each of them is independent and eligible for election and unanimously endorses their re-election. Brief biographical notes for each of these directors are included in the accompanying Explanatory Notes.

It is proposed to increase the maximum pool of directors' fees that may be paid to non-executive directors in any financial year, with effect from 1 July 2014, from \$1,300,000 (plus GST, if any) to \$1,365,000 (plus GST, if any), being an increase of \$65,000 (plus GST, if any). This proposed increase takes account of the desire to continue 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. None of the directors nor any of their associates is entitled to vote on the resolution relating to the increase in directors' fees.

The board recommends shareholders vote in favour of all resolutions.

Shareholders and capital noteholders are invited to submit questions prior to the Annual Meeting by post (PO Box 6443, Wellesley Street, Auckland 1141) or by email ([sceginfo@skycity.co.nz](mailto:sceginfo@skycity.co.nz)). We will aggregate the main themes of the questions asked and respond to them at the Annual Meeting.

For those shareholders attending the Annual Meeting, please bring the combined attendance card, proxy form and voting paper with you to assist with your registration and for voting purposes. Capital noteholders who are not also shareholders have not been sent this document, but are nonetheless entitled to attend the Annual Meeting. However, as referred to above, capital noteholders who are not also shareholders cannot vote on the resolutions being put to the Annual Meeting.

Voting at the Annual Meeting will be, as has been the practice in the past, by way of poll.

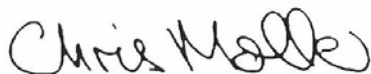
If you are not intending to attend the Annual Meeting, please appoint your proxy online or complete and lodge the form accompanying this Notice of Meeting so that it is received by Computershare Investor Services Limited by no later than 10.00am (New Zealand time) on Wednesday 15 October 2014, being 48 hours prior to the Annual Meeting. Please remember to state your voting instructions.

A live recording of the Annual Meeting will be broadcast on the company's website ([www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com)) commencing at 10.00am (New Zealand time) on Friday 17 October 2014. A test page is currently available on our website so that you can visit prior to the Annual Meeting and ensure that you will be able to view and hear the broadcast.

The recording will also be available on our website following the Annual Meeting. Copies of the presentations made at the Annual Meeting and the results of voting will be posted on the company's website following the conclusion of the Annual Meeting and finalisation of the voting results.

I look forward to seeing you at the Annual Meeting.

Yours faithfully



**CHRIS MOLLER**  
CHAIRMAN

# EXPLANATORY NOTES

## AGENDA ITEM 1

### RE-ELECTION OF BRENT HARMAN

Brent Harman retires by rotation at the Annual Meeting and offers himself for re-election in accordance with NZX Main Board Listing Rule 3.3.11.

Mr Harman is Chairman of the Remuneration and Human Resources Committee of the board and a member of the Governance and Nominations Committee of the board.

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

Mr Harman was first appointed a director of SKYCITY on 18 December 2008. The board considers Mr Harman to be an independent director and unanimously recommends that shareholders vote in favour of his election.

## AGENDA ITEM 2

### RE-ELECTION OF SUE SUCKLING

Sue Suckling retires by rotation at the Annual Meeting and offers herself for re-election in accordance with NZX Main Board Listing Rule 3.3.11.

Ms Suckling is a member of the Remuneration and Human Resources Committee of the board and a member of the Governance and Nominations Committee of the board. She is responsible for leading the board's agenda on health and safety and ensuring that health and safety is monitored and that appropriate issues are addressed as necessary.

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

Ms Suckling was first appointed a director of SKYCITY on 9 May 2011. The board considers Ms Suckling to be an independent director and unanimously recommends that shareholders vote in favour of her election.

## AGENDA ITEM 3

### INCREASE IN DIRECTORS' FEES

Non-executive directors' fees were last increased by shareholders at the 2011 Annual Meeting. At that meeting, shareholders voted in favour of a total pool for payments to non-executive directors of \$1,300,000 per annum (plus GST, if any). Agenda item 3 for this Annual Meeting proposes an increase in the total pool for non-executive director fee allocation from \$1,300,000 (plus GST, if any) to \$1,365,000 per annum (plus GST, if any), being an increase of \$65,000 (plus GST, if any), and that such increase take effect from 1 July 2014.

Current fees for SKYCITY non-executive directors, allocated from the approved annual pool of \$1,300,000

(plus GST, if any), are \$250,000 per annum for the Chairperson of the board, \$150,000 for the Deputy Chairperson of the board and \$120,000 per annum for each other non-executive director. In addition, each ordinary member of the Audit and Financial Risk Committee, Remuneration and Human Resources Committee or Corporate Social Responsibility Committee receives \$15,000 per annum. The Chairperson of the Audit and Financial Risk Committee receives \$35,000 per annum, the Chairperson of the Remuneration and Human Resources Committee receives \$25,000 per annum and the Chairperson of the Corporate Social Responsibility Committees receives \$25,000 per annum.

The workload and responsibilities of publicly-listed company directors continues to increase both in terms of complexity and time commitment and, in the remuneration and human resource domains, issues to be dealt with and determined by the Remuneration and Human Resources Committee have become increasingly more complex and time consuming. In addition, the company wishes to continue 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. Accordingly, moderate increases of fees are proposed to recognise this increased workload and be market-competitive to ensure the company can attract and retain the best available talent.

Shareholder approval for the proposed increase in the fee pool is required pursuant to NZX Main Board Listing Rule 3.5.1 and ASX Listing Rule 10.17.

In seeking such approval, the board has considered a paper prepared by PricewaterhouseCoopers for the Remuneration and Human Resources Committee – the purpose of which was to benchmark fees paid by SKYCITY to non-executive directors with a relevant comparator group of Australian/New Zealand large listed companies.

If the proposed increase in the fee pool is approved by shareholders, it is proposed that:

- the annual fees be \$275,000 for the Chairperson of the board (an increase of \$25,000 per annum), \$157,500 for the Deputy Chairperson of the board (an increase of \$7,500 per annum) and \$126,000 each for other non-executive directors (an increase of \$6,000 per annum); and

- the annual fee be \$35,000 per annum for the Chairperson of the Remuneration and Human Resources Committee (an increase of \$10,000 per annum), with no increase in the annual fee for each ordinary member of the Audit and Financial Risk Committee, Remuneration and Human Resources Committee or Corporate Social Responsibility Committee or for chairing either the Audit and Financial Risk Committee or Corporate Social Responsibility Committee.

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

In accordance with the NZX Main Board Listing Rules and the ASX Listing Rules, the company will disregard any votes cast on resolution 3 by any director of SKYCITY and any of their associated persons (as defined in the NZX Main Board Listing Rules) or associates (as defined in the ASX Listing Rules), except where any such vote is cast by that director or one of their associated persons or associates as proxy for a person who is entitled to vote and that director or that associated person or associate votes in accordance with express instructions to vote for or against a particular resolution on the proxy form or online proxy instructions.

## AGENDA ITEM 4 REMUNERATION OF AUDITOR

Section 200 of the Companies Act 1993 provides that a company's auditor is automatically re-appointed unless there is a resolution or other reason for the auditor not to be re-appointed. The company wishes PricewaterhouseCoopers to continue as the company's auditor and PricewaterhouseCoopers has indicated its willingness to do so.

Section 197(a) of the Companies Act 1993 provides that the fees and expenses of PricewaterhouseCoopers as auditor are to be fixed in such a manner as the company determines at the Annual Meeting. The board proposes that, consistent with commercial practice, the auditor's fees should be fixed by the directors. Authority for the directors to fix the fees and expenses of the auditor is a resolution at each Annual Meeting of shareholders of the company.





## LODGE YOUR PROXY



**ONLINE**  
[www.investorvote.co.nz](http://www.investorvote.co.nz)



**BY MAIL**  
Computershare Investor Services Limited  
Private Bag 92119  
Auckland 1142  
New Zealand



**BY FAX**  
+64 9 488 8787



+64 9 488 8777



[corporateactions@computershare.co.nz](mailto:corporateactions@computershare.co.nz)

## FOR ALL ENQUIRIES CONTACT

## PROXY/VOTING FORM FOR THE 2014 ANNUAL MEETING



[www.investorvote.co.nz](http://www.investorvote.co.nz)

Lodge your proxy online - 24 hours a day, 7 days a week.

**Smartphone**

Scan the QR code.

### YOUR SECURE ACCESS INFORMATION

**Control Number:**

**CSN/Securityholder Number:**

**Please note:** You will need your CSN/Securityholder Number and postcode (or country of residence if you reside outside of New Zealand) to securely access InvestorVote and appoint your proxy online.



**For your proxy appointment to be effective, it must be received by 10.00am (New Zealand time) on Wednesday 15 October 2014.**

### Attending the Meeting

If you wish to attend the meeting and vote in person, bring this form (which includes your attendance slip and ballot paper) with you to the meeting.

A corporation may appoint a person to attend the meeting as its representative in the same manner in which it can appoint a proxy.

### Appointment of Proxy

If you do not plan to attend the meeting, you can appoint a proxy to attend the meeting and vote on your behalf. A proxy need not be a SKYCITY shareholder. You can appoint a proxy online at [www.investorvote.co.nz](http://www.investorvote.co.nz) or complete the form overleaf and forward it to Computershare Investor Services Limited at the contact details above. If you are returning this form by post within New Zealand, you can use the reply paid envelope enclosed with this form. Proxies must be received by Computershare Investor Services Limited no later than 10.00am (New Zealand time) on Wednesday 15 October 2014.

The Chairperson of the meeting is willing to act as proxy for any securityholder who wishes to appoint him/her for that purpose - simply insert 'the Chairperson' in 'Step 1' of this form overleaf.

Direct your proxy how to vote by marking the 'for', 'against' or 'abstain' box beside each resolution OR marking the 'proxy discretion' box. You can direct your proxy in respect of one or more resolutions and give your proxy discretion in respect of other resolutions. Note that:

- if your proxy is excluded from voting on a resolution for any reason and you mark the 'proxy discretion' box, they will not be able to vote on that resolution on your behalf, however they may vote if you give them a voting direction;
- if you do not mark any box for a resolution, then the direction to your proxy is to abstain from voting on that resolution; and

- if you mark more than one box for a resolution, your vote will be invalid on that resolution.

If you appoint the Chairperson as proxy and have marked the 'proxy discretion' box in relation to:

- any of resolution 1, 2 or 4, the Chairperson will vote for that resolution; or
- resolution 3, the Chairperson will abstain from voting on that resolution.

### Signing Instructions if you are Completing this Form

#### Individual

Where the shareholding is in one name, the securityholder must sign where provided overleaf.

#### Joint Holding

Where the shareholding is in more than one name, all of the securityholders must sign where provided overleaf.

#### Power of Attorney

If this form is being signed under a power of attorney, a copy of the power of attorney (unless already provided to SKYCITY) and a signed certificate of non-revocation of the power of attorney must accompany this form.

#### Companies

A duly authorised officer or attorney of the company must sign this form. Persons who sign on behalf of a company must be acting with that company's express or implied authority.

#### Comments & Questions

If you have any comments or questions for SKYCITY, please write them on a separate sheet of paper and return it with this form.

**GO ONLINE TO APPOINT A PROXY OR TURN OVER TO COMPLETE THIS FORM.**

## PROXY/CORPORATE REPRESENTATIVE FORM

### STEP 1 APPOINT A PROXY TO VOTE ON YOUR BEHALF

The Chairperson of the meeting is willing to act as proxy for any securityholder who wishes to appoint him/her for that purpose. If you wish, you can appoint the Chairperson as your proxy by inserting 'the Chairperson' below.

I/We, being a shareholder/s of SKYCITY Entertainment Group Limited,

hereby appoint \_\_\_\_\_ of \_\_\_\_\_

or failing him/her \_\_\_\_\_ of \_\_\_\_\_

as my/our proxy to attend and vote for me/us on my/our behalf in accordance with the following directions at the Annual Meeting of SKYCITY Entertainment Group Limited to be held in the New Zealand Room, Level 5, SKYCITY Auckland Convention Centre, 88-96 Federal Street, Auckland, on Friday 17 October 2014 at 10.00am (New Zealand time) and at any adjournment of that meeting.

### STEP 2 ITEMS OF BUSINESS - VOTING INSTRUCTIONS/BALLOT PAPER

Please note: If you mark the 'abstain' box for any resolution, you are directing your proxy NOT to vote on your behalf on that resolution and your vote will not be counted when calculating the required majority for that resolution.

		For	Against	Proxy Discretion	Abstain
Ordinary Business					
Item 1	To re-elect Brent Harman as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 2	To re-elect Sue Suckling as a director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3	To approve an increase in non-executive directors' remuneration from \$1,300,000 per annum (plus GST, if any) to \$1,365,000 (plus GST, if any)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4	To authorise the directors to fix the auditor's remuneration	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### SIGN SIGNATURE OF SECURITYHOLDER(S) This section must be completed.

Securityholder 1

Securityholder 2

Securityholder 3

Contact Name \_\_\_\_\_ Contact Daytime Telephone \_\_\_\_\_ Date \_\_\_\_\_

### ATTENDANCE SLIP



Annual Meeting of SKYCITY Entertainment Group Limited to be held in the New Zealand Room, Level 5, SKYCITY Auckland Convention Centre, 88-96 Federal Street, Auckland, on Friday 17 October 2014 at 10.00am (New Zealand time).

# RECEIVING SHAREHOLDER COMMUNICATIONS



12 September 2014

**SKYCITY Entertainment Group Limited**

Federal House 86 Federal Street  
PO Box 6443 Wellesley Street  
Auckland 1141 New Zealand  
Telephone +64 9 363 6141  
Facsimile +64 9 363 6140  
[www.skycityentertainment.com](http://www.skycityentertainment.com)

Dear Shareholder

SKYCITY's 2014 Annual Report for the year ended 30 June 2014 is now available on our website and the Half Year Report for the six months ending 31 December 2014 will be available on the website in March 2015. You can view and download these reports from the Investor Centre section of the company's website at [www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com). However, notwithstanding that these reports are available electronically, you have the right to receive upon request, free of charge, printed copies of the 2014 Annual Report and (when available) Half Year Report.

If you have previously elected to receive printed copies of the Annual Report and Half Year Report, you do not need to do anything at this time - they will be sent to you in due course. Otherwise, please tick the box below and return it by mail, fax to +64 (9) 488 8787 or email to [enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz) within 15 working days of receiving this notice.

☐ I wish to receive a printed copy of the company's 2014 Annual Report and (when available) Half Year Report.

Please note that your request will be treated as a request to send you printed copies of the Annual Report and Half Year Report each year until your request is revoked by notice in writing. Please also note the board of the company has not prepared a concise annual report for the year ended 30 June 2014.

## SUBSTANTIAL SECURITY HOLDERS

It is a requirement of the Securities Markets Act 1988 that the following information be provided in printed form. As you may decide not to receive a printed copy of the 2014 Annual Report, the required information as at 15 August 2014 is set out below:

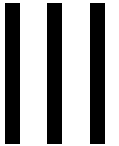
Substantial Security Holder	Number of Listed Voting Securities
BlackRock Group (BlackRock Inc. and certain subsidiaries)	46,914,904

The total number of listed voting securities of SKYCITY Entertainment Group Limited as at 15 August 2014 was 582,088,094.

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FreePost Authority Number 2888



SHARE REGISTRAR  
SKYCITY Entertainment Group Limited  
c/- Computershare Investor Services Limited  
Private Bag 92119  
Auckland 1142

NO POSTAGE REQUIRED  
IF POSTED IN NEW ZEALAND

FOLD HERE

FOLD HERE



12 September 2014

**SKYCITY Entertainment Group Limited**

Federal House 86 Federal Street  
PO Box 6443 Wellesley Street  
Auckland 1141 New Zealand  
Telephone +64 9 363 6141  
Facsimile +64 9 363 6140  
[www.skycityentertainment.com](http://www.skycityentertainment.com)

Dear Shareholder

Please find **enclosed** the following documents:

- (a) an election notice (titled "Receiving Shareholder Communications") relating to the company's 2014 Annual Report (for the financial year ended 30 June 2014) and Half Year Report (for the financial half year ending 31 December 2014); and
- (b) the Notice of Annual Meeting and Proxy/Voting Form for SKYCITY's annual meeting of shareholders to be held on Friday 17 October 2014 commencing at 10.00am (New Zealand time) in the New Zealand Room, Level 5, SKYCITY Auckland Convention Centre, 88-96 Federal Street, Auckland.

SKYCITY has prepared a 2014 Annual Report that contains a review of the company's operations and activities during the financial year ended 30 June 2014 and the company's full financial statements, governance information and other required disclosures. The 2014 Annual Report may be viewed at, or downloaded from, the Investor Centre section of the company's website at [www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com). If you wish to receive printed copies of the 2014 Annual Report and, when available, Half Year Report, then you should (if applicable) complete and return the election notice to the company.

This year, the company has determined not to prepare and send a shareholder review to all shareholders and capital noteholders. Instead, we have included some of the information previously included in the shareholder review in the 2014 Annual Report. This has the benefit of saving paper and production and print costs.

Yours faithfully

A handwritten signature in black ink, appearing to read "Peter Treacy".

Peter Treacy  
Company Secretary

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**From:** SKYCITY Entertainment Group Limited  
**Sent:**  
**To:**  
**Subject:** SKYCITY Entertainment Group Limited - Annual Meeting 17 October 2014



CSN/Securityholder Number

Dear Shareholder

### **Annual Meeting**

We are pleased to invite shareholders to attend the 2014 Annual Meeting of SKYCITY Entertainment Group Limited to be held on Friday 17 October 2014 commencing at 10.00am (New Zealand time) in the New Zealand Room, Level 5, SKYCITY Auckland Convention Centre, 88-96 Federal Street, Auckland, New Zealand.

### **Notice of Annual Meeting**

The Notice of Annual Meeting can be viewed [here](#).

### **Attending the Annual Meeting**

If you wish to attend the Annual Meeting and vote in person, please bring your CSN/Securityholder number with you to the Annual Meeting and visit the Registration Desk. You will be issued with a voting paper on registration.

### **Appointing a Proxy Online**

If you do not plan to attend the Annual Meeting, you can appoint a proxy to attend the Annual Meeting and vote on your behalf by following the instructions below:

1. Visit [www.investorvote.co.nz](http://www.investorvote.co.nz)
2. Enter this Control Number:
3. Enter your CSN/Securityholder Number and postcode or country of residence (if you reside outside of New Zealand).
4. Follow the prompts to lodge your proxy online.

For your proxy appointment to be effective, it must be received by 10.00am (New Zealand time) on Wednesday 15 October 2014.

### **Annual Report**

We are pleased to advise that SKYCITY's 2014 Annual Report is now available for you to view on our website. You can view this document [here](#).

This year, SKYCITY has determined not to prepare and send a Shareholder Review to all shareholders and capital noteholders. Instead, we have included some of the information previously included in the Shareholder Review in the 2014 Annual Report. This has the benefit of saving paper and production and print costs.

If you have any queries regarding the information above, please contact Computershare Investor Services Limited by phone on 09 488 8777 (Monday to Friday from 8.30am - 5.00pm) or [email](#).

**SKYCITY Entertainment Group Limited**

You have received this message because you have elected to receive communications electronically. If you no longer wish to receive Annual Meeting details via email, please reply advising you wish to unsubscribe.





12 September 2014

**SKYCITY Entertainment Group Limited**

Federal House 86 Federal Street  
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Facsimile +64 9 363 6140  
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Dear Noteholder

SKYCITY has prepared a 2014 Annual Report that contains a review of the company's operations and activities during the financial year ended 30 June 2014 and the company's full financial statements, governance information and other required disclosures. The 2014 Annual Report may be viewed at, or downloaded from, the Investor Centre section of the company's website at [www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com). If you wish to receive printed copies of the 2014 Annual Report and (when available for the financial half year ending 31 December 2014) Half Year Report, please tick the box below and return this letter to Computershare Investor Services Limited within 15 working days of receiving this letter:

- (a) by mail to Private Bag 92119, Auckland 1142;
- (b) by fax to +64 (9) 488 8787; or
- (c) by email to [enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz)

☐ I wish to receive a printed copy of the company's 2014 Annual Report and (when available) Half Year Report.

This year, the company has determined not to prepare and send a shareholder review to all shareholders and capital noteholders. Instead, we have included some of the information previously included in the shareholder review in the 2014 Annual Report. This has the benefit of saving paper and production and print costs.

Please find **enclosed** the Notice of Annual Meeting for SKYCITY's annual meeting of shareholders to be held on Friday 17 October 2014 commencing at 10.00am (New Zealand time) in the New Zealand Room, Level 5, SKYCITY Auckland Convention Centre, 88-96 Federal Street, Auckland. You are welcome to attend the meeting in person, but unless you are a shareholder you will not be able to vote. Alternatively, the meeting will be broadcast from the company's website at [www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com) from 10.00am (New Zealand time) on Friday 17 October 2014 so you can view the broadcast online.

Yours faithfully

A handwritten signature in black ink, appearing to read "Peter Treacy".

Peter Treacy  
Company Secretary

---

**From:** SKYCITY Entertainment Group Limited  
**Sent:**  
**To:**  
**Subject:** SKYCITY Entertainment Group Limited - Annual Meeting 17 October 2014



CSN/Securityholder Number

Dear Noteholder

### **Annual Meeting**

We are pleased to invite noteholders to attend the 2014 Annual Meeting of SKYCITY Entertainment Group Limited to be held on Friday 17 October 2014 commencing at 10.00am (New Zealand time) in the New Zealand Room, Level 5, SKYCITY Auckland Convention Centre, 88-96 Federal Street, Auckland, New Zealand.

### **Notice of Annual Meeting**

The Notice of Annual Meeting can be viewed [here](#).

You are welcome to attend the Annual Meeting. However, please note that only shareholders (or the proxies or corporate representatives of shareholders) are entitled to vote on the resolutions at the Annual Meeting.

### **Annual Report**

We are pleased to advise that SKYCITY's 2014 Annual Report is now available for you to view on our website. You can view this document [here](#).

This year, SKYCITY has determined not to prepare and send a Shareholder Review to all shareholders and capital noteholders. Instead, we have included some of the information previously included in the Shareholder Review in the 2014 Annual Report. This has the benefit of saving paper and production and print costs.

If you have any queries regarding the information above, please contact Computershare Investor Services Limited by phone on 09 488 8777 (Monday to Friday from 8.30am - 5.00pm) or [email](#).

### **SKYCITY Entertainment Group Limited**

You have received this message because you have elected to receive communications electronically. If you no longer wish to receive Annual Meeting details via email, please reply advising you wish to unsubscribe.

SKYCITY ENTERTAINMENT GROUP LIMITED

# ANNUAL REPORT

YEAR ENDED 30 JUNE

# 2014



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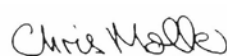
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## ANNUAL MEETING

The 2014 Annual Meeting of SKYCITY Entertainment Group Limited will be held on Friday 17 October 2014 in the New Zealand Room, Level 5, SKYCITY Auckland Convention Centre, 88-96 Federal Street, Auckland, commencing at 10.00am (New Zealand time).

This report is dated 12 September 2014 and is signed on behalf of the board of directors of SKYCITY Entertainment Group Limited by:



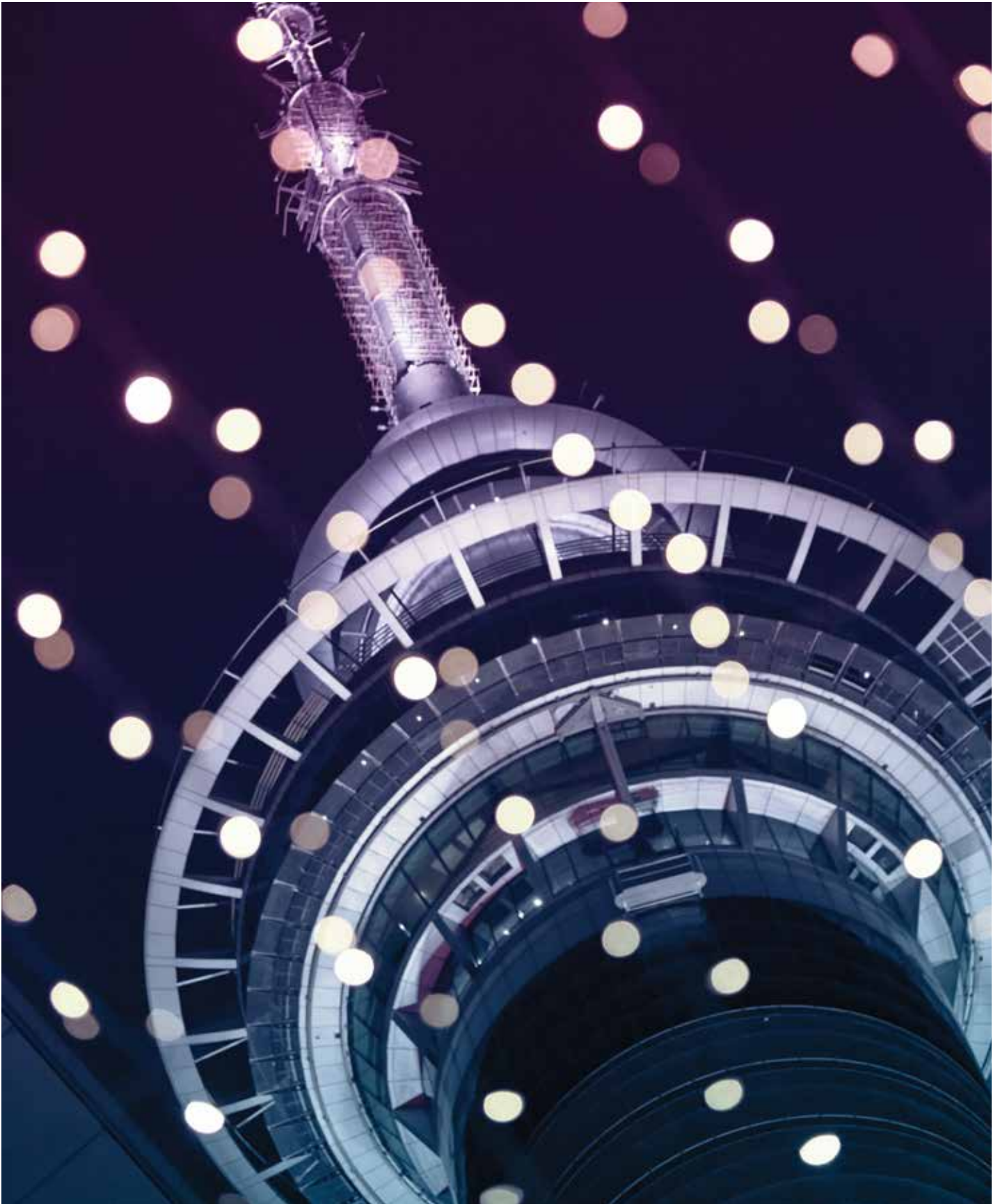
Chris Moller  
Chairman



Bruce Carter  
Deputy Chairman

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











# FORMATION

## LAYING THE FOUNDATIONS FOR GROWTH AND BUILDING MOMENTUM

The 2014 financial year was very much a pivotal year for SKYCITY – a year in which much was achieved in laying the foundations for growth in Auckland, Adelaide and in our International Business:

- We executed agreements with the New Zealand and South Australian Governments and saw the passing of enabling legislation in both jurisdictions that extend two of our casino licences and provide for tax certainty, which will see our businesses in Auckland and Adelaide significantly expand. The Auckland casino venue licence was extended to 2048 and Adelaide Casino's exclusivity period for casino gaming in South Australia was extended to 2035. These agreements provide the certainty we need to invest with confidence.
- Following the agreement with the South Australian Government, we took deliberate steps to transition

and position the Adelaide Casino to realise the benefits of the concessions negotiated. This precipitated an extensive renovation of the property that was significantly disruptive to day-to-day trading and short term trading results, particularly over the second half of the financial year. This disruption will continue for the rest of the 2014 calendar year while we continue to substantially improve and enhance the property, positioning the Adelaide Casino for future growth. Over the next year, we will focus on planning and designing the substantial expansion of the Adelaide Casino, which will see the development of the announced 6-star hotel, new Horizon gaming salons and villas and additional signature restaurants and bars.

- Significant progress has been made with the design and planning of the New Zealand International Convention Centre (NZICC) in



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



THE INVESTMENTS WE HAVE MADE OVER RECENT YEARS, INCLUDING OUR NEW SIGNATURE RESTAURANTS IN FEDERAL STREET, OUR VIP GAMING ROOMS AND OUR HOTEL REFURBISHMENTS ARE NOW PAYING OFF.

Auckland and, earlier in the year, SKYCITY and the New Zealand Government agreed the concept design for the NZICC. We are now finalising the preliminary design, which will be lodged with the Auckland Council before the end of the 2014 calendar year as part of our resource consent applications. All going well, we expect to enter into a construction contract for the NZICC by the end of the 2015 financial year. Upon signing that construction contract, the regulatory concessions negotiated with the New Zealand Government will become operative.

We are very excited by the concept design and believe the architects have delivered a truly outstanding facility that both Auckland and New Zealand will be proud of. As part of our master plan for the NZICC site, we have also announced the addition of a new 300-room 5-star international hotel, a hospitality laneway running from Hobson Street to Nelson Street and the expansion of the NZICC car park to cater for up to 1,350 vehicles.

- During the year, we repositioned our International Business with the recruitment of five additional relationship managers in South East Asia and further afield, doubling the size of our offshore based personnel. We also increased our maximum table differential for our international customers, resulting in increased volatility as the volumes grew to a level to bring the win rate back towards the theoretical win rate. While these initiatives added cost and volatility to the trading results during the year, they position us to continue to grow our International Business going forward. International Business turnover grew by more than 14% this year and, for the first six weeks of the 2015 financial year, has continued to experience strong growth returning us back to the theoretical win rate.
- Pleasingly, the results for our flagship Auckland property went from strength to strength with strong normalised revenue and earnings before interest, taxes, depreciation and amortisation (EBITDA) growth in the second half - up 9% and 7.4% respectively on the second half of the 2013 financial year. This momentum has continued through into the start of the 2015 financial year with 9% revenue growth over the same period last year (through to 10 August 2014). The investments we have made over recent years (including our new signature restaurants in Federal Street, our VIP private gaming rooms, the SKYCITY Grand Hotel and SKYCITY Hotel refurbishments and new systems and technologies) and a strong management team led by SKYCITY Auckland General Manager John Mortensen are all paying off.
- However, clearly not everything is within our control and, this year, as was the case last year, our results were hit by a continually rising New Zealand dollar. When translating the results of our Australian businesses to New Zealand dollars, our revenues were hit by more than \$40 million and our EBITDA by \$9.9 million.



We look forward to updating you further on each of these key areas at the company's 2014 Annual Meeting on 17 October.

We now outline the year's results and achievements in more detail.

Normalised net profit after tax (NPAT) of \$123.2 million was in line with market expectations, but down on last year's result. Because we report in New Zealand dollars, the 13% appreciation of the currency over the course of the year (from NZ\$1=A\$0.80 cents to NZ\$1=A\$0.90 cents) wrote \$9.9 million off our normalised EBITDA gains. We were significantly impacted too by the sheer scale of changes made to the Adelaide Casino.

Reported NPAT of \$98.5 million was down \$28.8 million on last year due to being significantly affected by a below average win rate in our International Business and the appreciation of the New Zealand dollar. A return to theoretical International Business win rates would have improved reported NPAT by \$15.4 million.

However, excluding the Adelaide disruptions and the currency translation hit, the underlying results of the Group were pleasing. The year saw strong performances in our International Business, particularly in the second half of the year, and in Auckland where gaming was up and our Federal Street restaurant and bar offerings went from strength to strength.

### A TRACK RECORD WITH CITIES

We are on a journey to transform SKYCITY from a yield stock to one with a strong growth trajectory as well as strong dividend flows.

SKYCITY is the biggest private sector investor in the Adelaide Riverbank precinct and the sole partner in the NZICC. Both initiatives represent opportunities to add new vitality to places that must compete for visitors and investment against an increasingly global and competitive backdrop. They continue our commitment to the cities we do business in and the Governments we partner with. Both projects

will underpin our strategic growth over the next five plus years and contribute to economic growth.

At the same time, the new regulatory framework will enable SKYCITY to continue to grow and deliver to shareholders in return for the risks we are taking over sustained periods of time. Shareholders should be well assured by the successes of our Darwin Lagoon Resort and the continuing success of our award-winning restaurants in the Auckland Federal Street precinct that we are a company adept at managing urban-based transformation.

### A NEW ENVIRONMENT IN ADELAIDE

In July 2013, after four years of negotiation, the changes to the gaming legislation in South Australia passed through Parliament paving the way for us to finalise our agreements with the South Australian Government. That legislation received Royal Assent in August 2013 and, two months later, we executed final agreements for a revised taxation and regulatory framework with the South Australian Government.



WE ARE ON A JOURNEY TO TRANSFORM SKYCITY FROM A YIELD STOCK TO ONE WITH A STRONG GROWTH TRAJECTORY AS WELL AS STRONG DIVIDEND FLOWS.



**CHRIS MOLLER**  
CHAIRMAN



OUR EXCLUSIVITY TO OPERATE CASINO GAMING IN SOUTH AUSTRALIA HAS BEEN EXTENDED FOR A FURTHER 20 YEARS AND WE CAN NOW COMPETE NATIONALLY AND INTERNATIONALLY FROM ADELAIDE FOR THE FIRST TIME.

The new arrangements, which came into effect on 14 February 2014, deliver a completely new environment. They have created a level playing field for us amongst our competitor casino peers and enabled us to introduce a larger range of contemporary gaming product and systems. Our exclusivity to operate casino gaming in South Australia has also been extended for a further 20 years until 30 June 2035. We can now compete nationally and internationally from Adelaide for the first time.

This year we took the opportunity to refurbish and reconfigure the current facilities, adding new rooms and systems in order to provide an improved range of facilities which will significantly enhance the customer experience. These included a new Baccarat Pavilion for our most popular table games and a new Platinum Electronic Gaming Machine Room linked to the Grange Room. We also refurbished the entire main gaming floor and introduced new

automated table games. In May, we opened the Barossa Room, a new entry level premium area, redefining the gaming experience in the city. While the new facilities have proven very popular, it will not be until we complete the remaining redevelopment works within the Railway Station Building, including the development of our first two signature restaurants, at the end of this year that we will be well placed to reintroduce the property to Adelaide and other Australian cities. To date, we have spent A\$30–35 million of the A\$50 million earmarked for the refurbishment within the existing building.

Of course, such an ambitious programme has not been without its challenges in a heritage building. Up to 80% of the public areas have been affected in some way, which has led to significant disruption for our customers. At any one time, up to 40% of the floor and/or 40% of our product have been unavailable during the



staged works. We expect the first phase of the redevelopment and refurbishment of the Adelaide Casino to continue until the end of the 2014 calendar year. Our approach has been to progress these changes as soon as possible so we can get back to business, rather than extending out this phase which may have limited the impact, but required a much longer time period.

Over the next few months in Adelaide, we will open the new BLACK Room, a VIP bar, lounge and casual restaurant catering to the Grange and Platinum Rooms and supporting the new BLACK Room and a new signature restaurant by Sean Connolly, "Sean's Kitchen", to replace the existing North Restaurant. The new restaurant will include extensive private dining facilities and open at the end of September 2014. We are also replacing the Loco Bar with a new colonial Asian restaurant/bar featuring the culinary delights of our award-winning chef at MASU in Auckland, Nic Watt. This new restaurant will open at the end of the 2014 calendar year. All these changes will contribute to our future growth in Adelaide and justify our ongoing investment in this vibrant city.

### THE NEXT PHASE IN ADELAIDE

At the same time that these changes have been taking place, we have also been preparing for the second phase of the Adelaide Casino development – the development of a A\$300 million expansion which will complete the transformation into a world-class integrated entertainment complex in the heart of the new Adelaide Riverbank precinct, complementing the billions of dollars of investment earmarked by the South Australian Government within 1.5 kilometres of our site over the years ahead. Our complex will include Adelaide's first 6-star boutique hotel, expanded gaming facilities, Horizon VIP gaming salons and villas and signature bars and restaurants and will be complemented by a new 1,400 space car park development as part of the Festival Plaza development. We expect to finalise our plans by the end of this calendar year, with early works starting next year and construction completed in late 2017.



ARTIST'S IMPRESSION OF THE NEW ZEALAND INTERNATIONAL CONVENTION CENTRE

Nearby, the completion of the redevelopment of the Adelaide Oval and the new Torrens Footbridge have already transformed that sporting venue into one of the premier sporting ovals for AFL and cricket in Australia with a 50,000 seat capacity. These developments will complement our redeveloped facilities once completed.

### NEW ZEALAND INTERNATIONAL CONVENTION CENTRE

SKYCITY has played a significant role in the revitalisation of Auckland and our ambition is to continue to do so. We will be creating a building of national significance on our expanded Auckland site that will be able to host a full range of events and is expected to attract many hundreds of thousands of local and international visitors each year. The 1.4 hectare site will be packed with experiences that will add to living in the city for residents and form a must-see for visitors to the country. It's exciting to see what the world-class design team tasked with bringing the NZICC to life is creating.

The NZICC will feature a plenary conference centre, dozens of meeting spaces, a huge exhibition centre and generous car parking, which will significantly increase the foot traffic within the precinct year-round and further endorse SKYCITY Auckland and Federal Street as the city's vibrant entertainment destination. A laneway will provide a pedestrian experience for visitors – featuring retail and restaurant offerings, it will run down the face of the NZICC between Hobson and Nelson Streets. A plaza on Hobson Street will abut the NZICC and provide a place of welcome, rest and relaxation. Together, these spaces will provide SKYCITY Auckland with a cumulative presence running east to west for three city blocks.

All of this will come to life at the very time that Auckland itself is in growth mode. Sizeable investments are being made elsewhere across the CBD to step the city up to world-class status. It's exciting to think that, with the NZICC, New Zealand will be able to compete with the world in the area of international conventions.



# FY15 REVENUE

 **FY15 REVENUE CONTINUES  
TO SHOW GOOD GROWTH**

hotel will be built in the Nelson and Hobson Streets block and will be linked by an air bridge to the main SKYCITY Auckland site, enabling guests to enjoy the best in New Zealand dining, bars, entertainment and the unique Sky Tower within a short, covered walk from their hotel room.

## FEDERAL STREET HAS BEEN TRANSFORMED

A few years ago, Auckland's Federal Street was little more than a right-of-way generating no revenue. Today, we have world-class chefs offering amazing and diverse food at street level to more than 50 storeys up the Sky Tower. With the opening of MASU by Nic Watt, Peter Gordon's The Sugar Club, Al Brown's Federal Delicatessen and Sean Connolly's Gusto at the Grand, together with existing restaurants Depot, The Grill by Sean Connolly and Bellota, we have continued to develop the precinct as the culinary destination of the city.

The \$10 million redevelopment of Federal Street, completed in July 2014, sees Federal Street completely revamped at street level with trees, green walls and inviting seating. We have worked closely with the Auckland Council on this project and the impressive pedestrian/alfresco streetscape has added to the enticement of eating, socialising and relaxing here. The co-operative venture has delivered Aucklanders a new, safe, pedestrian-focused shared space that works well with our existing facilities, will complement our plans for the NZICC and adds to the experiences being created by the Auckland Council and others right around the inner city. Perhaps the greatest compliment our local government partners in this venture can pay us is that they have chosen to shortly move to Federal Street themselves.

**UP  
7%**

 **AUCKLAND SECOND-HALF  
NORMALISED EBITDA GROWTH**

progressing well and we have now reached the point where we are close to lodging resource consent applications and finalising the preliminary design.

It has taken longer than we had hoped to get to this point and we now expect that the construction contract (which will activate the regulatory concessions) will, subject to a smooth resource consent process, be signed towards the end of the 2015 financial year. We are working in partnership with the New Zealand Government to have construction completed by mid-2018.

## A NEW 5-STAR INTERNATIONAL HOTEL IN AUCKLAND

There's a compelling and demanding case to be made for building an additional 5-star hotel with another 300 rooms on the expanded NZICC site in Auckland. With the opening of the NZICC, experts have advised us that there will be real demand for additional rooms in an adjacent location. With our track record of running the very successful SKYCITY Hotel and SKYCITY Grand Hotel at near-capacity, it makes sense for SKYCITY to own and manage an additional hotel facility. This would mean SKYCITY could, between the three hotels, make nearly 1,000 hotel rooms available to visitors on any given day. The new 5-star

**UP  
14%**

 **INTERNATIONAL BUSINESS  
TURNOVER TO \$6.5 BILLION**

The NZICC is not a conventional private-public partnership (PPP). Instead, it's an inspiring and robust example of public and state sector parties working together to deliver a national asset. We will own this vitally important piece of national economic infrastructure and be responsible for its operations, but at the same time we will be working closely with our partners over the coming decades to ensure the country receives the greatest benefit. The NZICC will beautifully integrate with the spaces around it and revitalise the inner city by bringing people back to the Nelson and Hobson Street areas.

Simon Jamieson, General Manager NZICC Development and Tourism, and his team have been leading our discussions with the New Zealand Government and other stakeholders for the NZICC. The process is



A FEW YEARS AGO, AUCKLAND'S FEDERAL STREET WAS LITTLE MORE THAN A RIGHT-OF-WAY GENERATING NO REVENUE. TODAY, WE HAVE WORLD-CLASS CHEFS OFFERING AMAZING AND DIVERSE FOOD AT STREET LEVEL TO MORE THAN 50 STOREYS UP THE SKY TOWER.



TOP OF THEIR GAME  
(FROM LEFT TO RIGHT):  
AL BROWN - FEDERAL  
DELICATESSEN AND  
DEPOT, NIC WATT -  
MASU, PETER GORDON  
- THE SUGAR CLUB  
AND BELLOTA, SEAN  
CONNOLLY - GUSTO  
AT THE GRAND AND  
THE GRILL

## CONTINUING MOMENTUM IN AUCKLAND

Our Auckland property made strong gains in the second half of the year, building momentum through the third and fourth quarters on the back of a more buoyant macro economy as John Mortensen (General Manager SKYCITY Auckland) and Matt Ballesty (Assistant General Manager SKYCITY Auckland) worked well together to optimise the investments made in the property over recent years and lift performance and control costs.

Auckland's normalised EBITDA improved 3.9% to \$218 million over the year, with good growth in the second half of the year with normalised revenue and EBITDA up 9.0% and 7.4% respectively on the second half of the 2013 financial year.

Auckland is seeing strong momentum in both gaming and non-gaming revenues. This, combined with tight cost control, has seen

pleasing growth in Auckland's EBITDA and an improving margin. Auckland has continued to trade well into the 2015 financial year (through to 10 August 2014) with 9% revenue growth.

Both the SKYCITY Grand Hotel and SKYCITY Hotel continued to perform well with record occupancy and increased average daily rates. The SKYCITY Grand Hotel and SKYCITY Hotel achieved 85% and 93% occupancy respectively for the year.

Three new gaming rooms were added to the Auckland property in the 2014 financial year. The new BLACK room is going well, achieving return visits from domestic players and lots of international play. We have also introduced sales teams into Melbourne and Sydney to drive business for our BLACK rooms in Auckland, Darwin and soon-to-be Adelaide. The new Baccarat Room has opened, linked by an escalator to the main gaming floor. The main gaming floor has also

been revitalised, with half the gaming tables and machines having moved and the installation of new lighting and creation of different spaces. We also opened the new Rouge area behind the bar on the main gaming floor in June 2014 and added new facilities for our top end players in September 2014 by expanding the Platinum Room.

## INTERNATIONAL BUSINESS GROWTH

Our International Business experienced strong growth in the second half and made a sound contribution to the Group's normalised results for the year, after what was a sluggish first half. Some sense of the level and speed of growth can be gained from the fact that International Business revenue now represents around 12% of total gaming revenue compared to 5% four years ago. To encourage that growth further, we have now embedded new personnel in Guangzhou, Beijing, Chengdu and Hong Kong on top of the personnel we already have in Malaysia, Thailand, Singapore and Shanghai. We also engaged another person in Shanghai. Together, these new appointments will grow our profile in these key regional markets.

International Business turnover increased significantly in the second half, up over 41% compared with the same period last year. This contrasted with a 12% downturn in the first half compared to the same period in the prior year. Our commitment to building strong relationships with the people who play with us added to our resilience.

Overall, turnover was up almost 15% on last year and now looks promising right through the 2015 financial year. Our Horizon offering in Auckland continued to do well and enjoyed positive feedback in Queenstown. Introducing gaming in Hong Kong dollars in Darwin has helped us market to Macanese high rollers. Volumes in our VIP salons have also increased in Adelaide, which further encourages us to develop Horizon gaming salons and villas at that property in due course.

## TRACK RECORD

**Auckland is seeing strong momentum in both gaming and non-gaming revenues. This, combined with tight cost control, has seen pleasing growth in Auckland's EBITDA and an improving margin.**

**FY14:  
Normalised EBITDA improved 3.9% to \$218 million**

**FY14 Second Half:  
Normalised revenue and EBITDA up 9.0%  
and 7.4% respectively**





THE LUXURY LAGOON RESORT IN DARWIN



THE LUXURY LAGOON RESORT IN DARWIN HAS CONTINUED TO OPERATE AT CLOSE TO FULL OCCUPANCY, ATTRACTING BOTH LOCAL AND INTERNATIONAL PLAYERS ALIKE.

#### DARWIN LAGOON RESORT

The luxury Lagoon Resort in Darwin has continued to operate at close to full occupancy, attracting both local and international players alike. This year, we completed the redevelopment of the Sky Room for local VIPs and increased automated table gaming. We have also introduced ticket-in-ticket-out (TITO) gaming in the Sky Room and Diamond Room and on the main gaming floor. This gives us a clear competitive advantage locally and means we are now able to compete with other casinos.

In August 2014, we completed a refurbishment of the ground floor of the main hotel and introduced a new reception area to bring the property up to resort quality. A new sports bar, unique in Darwin, will be open by the end of the 2014 calendar year.

#### HAMILTON AND QUEENSTOWN

Hamilton did not have a great first half, but enjoyed a slightly better second half with revenue from machines up due to new product and promotions.

Richard Callander (General Manager Queenstown) took over the management of our Queenstown operations in April 2014, following Michelle Baillie's appointment to the role of General Manager SKYCITY Hamilton. While SKYCITY Queenstown Casino had a good year, with good interest in Baccarat and a Horizon experience that matches gaming levels in Auckland, our second property, SKYCITY Wharf Casino, did not fare so well. A key challenge in the year ahead will be to differentiate the two sites so that they are well positioned in the market.

## A STRONG SENSE OF CORPORATE RESPONSIBILITY

Achieving the right mix of reward and responsibility is crucial to our commitment to the places we do business in and to maintaining strong and healthy relationships with Government. Our Corporate Social Responsibility (CSR) programme and our commitment to operating responsibly are how we retain our social licence to operate. Being a socially responsible business lies at the heart of our business strategy and we have world-leading programmes that ensure our venues are some of the safest places to gamble.

That commitment continues to permeate all of our operations

and governance practices. Oversight of these responsibilities extends all the way to board level with our CSR Committee, which is chaired by director Peter Cullinane and overseen at executive level by Peter Treacy (General Counsel and General Manager Government and Industry Affairs), who directs our interactions on regulation, and Grainne Troute (General Manager Corporate Services), who is responsible for Human Resources and community.

To ensure we continue to be a leader in this area, we have been working closely with our regulators. We are in discussion with them to evolve our Host Responsibility programmes to ensure we remain at the forefront of international best practice and continue to meet the changing expectations of New Zealanders

and Australians. We aim to excel at the standards society expects of us, while at the same time balancing our customers' personal freedom and personal responsibility.

We take pride in our industry leadership in Host Responsibility. It is an area where we continue to introduce initiatives in addition to the millions of dollars we already invest to help make our venues as safe and as fun as possible. With the appointment of a team of Customer Service Ambassadors in Auckland this year, we took further measures alongside the priorities established in our CSR charter to help us personalise the interactions we have with our customers. These Ambassadors quietly interact with people on the main gaming floor, checking that they are okay and helping with any problems that arise. The initiative recognises the difficulties in keeping track of un-carded machine players across a





complex where approximately 30,000 people come and go on a daily basis. It represents one more way, alongside our other Host Responsibility initiatives that lead the world, that we can ensure our customers enjoy a safe environment.

Through our strong employer brand and our active leadership and talent development programmes, we are crafting a company with strong capacity to respond to changes in our entertainment sector.

As a strong endorser of diversity in the workplace, we welcome people with the right talents from all sorts of backgrounds. Our support of the Rainbow Tick programme further extends our commitment to safe and supportive workplaces, adding our corporate voice to those who believe that work should be a place where people can thrive.

An exciting new development this year was our Restaurants and Bars Journey project aimed at helping the long-term unemployed, which has been a great success with two thirds of the participants now employed by SKYCITY.

We are also working hard to improve safety and wellbeing and our significant reduction in both the number and severity of incidents shows that we are making very good progress.

Our Community Trusts in Auckland, Hamilton and Queenstown continue our support of initiatives in the community to proactively assist New Zealanders to be more financially secure. A total of \$2,339,780 was allocated to 256 community groups this year with a particular focus on financial literacy and employment-related issues. Since the Trusts were established, their combined

## SOCIALLY RESPONSIBLE



Being a socially responsible business lies at the heart of our business strategy and we have world-leading programmes that ensure our venues are some of the safest places to gamble.

### HOST RESPONSIBILITY INITIATIVES

This is an area where we continue to introduce initiatives in addition to the millions of dollars we already invest to help make our venues as safe and as fun as possible.

### CUSTOMER SERVICE AMBASSADORS

These Ambassadors quietly interact with people on the main gaming floor, checking that they are okay and helping with any problems that arise.

### LEADERSHIP AND TALENT DEVELOPMENT PROGRAMMES

Help us better respond to changes in our entertainment sector.

### DIVERSITY IN THE WORKPLACE

Our support of the Rainbow Tick programme further extends our commitment to safe and supportive workplaces.

### RESTAURANTS AND BARS JOURNEY PROJECT

Aimed at helping the long-term unemployed, which has been a great success with two thirds of the participants now employed by SKYCITY.

### COMMUNITY TRUSTS

Supporting families to thrive and communities to prosper.



# \$2,339,780

ALLOCATED TO...

# 256

COMMUNITY GROUPS THIS YEAR

COMBINED CONTRIBUTIONS TO DATE HAVE REACHED...

# \$39,607,836

SHARED ACROSS...

# 3,650

COMMUNITY GROUPS

contributions to communities have reached \$39,607,836, shared across 3,650 organisations. We would like to take this opportunity to thank retiring SKYCITY Auckland Community Trust Chair Arthur Loo for all his hard work. Arthur has been a member of the SKYCITY Auckland Community Trust since 2006 and Chair since 2010.

## CONSISTENT DIVIDEND

The final dividend for the 2014 financial year is unchanged on last year's final dividend of 10 cents per share. This dividend will be paid on 3 October 2014 to shareholders on the register as at 19 September 2014. The final dividend is 100% imputed at the company's tax rate of 28% in New Zealand and not franked for Australian purposes. The SKYCITY Dividend Reinvestment Plan (DRP) will be reactivated for the final dividend at a 2% discount.

Subject to available credits, the interim dividend for the 2015 financial year will be franked in Australia.

When combined with the interim dividend of 10 cents per share, shareholders have received a total of 20 cents per share in dividends this year, unchanged on last year. The upward revision of our dividend policy and reactivation of the DRP last year and this year's total pay-out in dividends are clear signals that we are committed to delivering shareholders competitive returns.

## GOOD PROGRESS

The agreements for the NZICC and Adelaide Casino redevelopment secure the long-term future of the Group and provide us with the confidence we need to invest by extending key licences under which we operate, expanding our gaming capacity, deregulating

constraining operational parameters and offering tax certainty. Renewal of the SKYCITY Auckland venue licence is not required until 2048, while in South Australia Adelaide Casino's exclusivity as a casino venue in the state has been extended to 2035. Our focus is now on executing and maximising the potential of the agreements negotiated with both Governments.

As we indicated last year, we remain confident that existing debt facilities, including undrawn committed facilities of approximately \$330 million, together with operational cash flows and other potential debt facilities, will enable us to complete our Auckland and Adelaide growth projects whilst maintaining our current dividend policy and without needing to raise further shareholder funds (other than by way of the DRP).

Investors have already demonstrated their approval of our strategy. In December 2013, we were included in the ASX200 Index for the first time by virtue of the increased volumes of shares being traded on the Australian Stock Exchange. Our standing as a Trans-Tasman investment is reinforced by the increasing proportion of Australian resident SKYCITY shareholders.

## THANKS

We would like to take this opportunity to thank our fellow directors for their guidance, support and advice throughout the year and to bid a warm farewell and offer our best wishes and thanks to Rod McGeoch whom we have both worked alongside in his capacities as Chairman and a director for a number of years. While Rod will retire from the board on the eve of the company's 2014 Annual Meeting, he will attend the Annual Meeting to farewell shareholders. His deep experience and diverse skills have helped guide our company through good times and more challenging eras. We thank him sincerely and warmly for his contributions and wish him the very best in his future endeavours.



Subject to regulatory approvals, Rod will be replaced on the board by Richard Tsiang. Richard is a Chinese-Australian based in Melbourne and Hong Kong. He has previously worked for casino conglomerates Melco Crown and MGM Grand in Macau and also Yahoo in Hong Kong. The board is particularly pleased to have attracted the services of Richard given that it is the first time in its history that the company has had a non-executive director with international gaming experience.

Our thanks to the Executive Team who have, once again, provided leadership and guidance in a year that will be remembered both for its workload and for the significance of what was achieved. We were sad to lose James Burrell, Chief Financial Officer, towards the end of the financial year after he made the decision to return home to England. Our thanks to him for his service and we wish him well. In August, we announced the appointment of Rob Hamilton as the company's new Chief Financial Officer. Rob is a respected leader of the investment banking and finance community with more than 20 years' experience at First NZ Capital, where he was Managing Director and Head of Investment Banking. Rob is also on the board of the New Zealand Olympic Committee. We look forward to working together with Rob when he joins the SKYCITY Senior Executive team in October 2014.

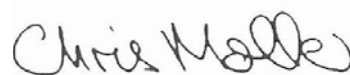
Finally, on every site and in many different ways, our people have excelled this year. As an entertainment-focused group, we are only as competitive as the experiences we provide



ONCE AGAIN, OUR PEOPLE HAVE WORKED HARD TO MAKE SKYCITY THE PEOPLE'S CHOICE IN BARS AND RESTAURANTS, GAMING, ACCOMMODATION, EVENTS, FUNCTIONS AND CONFERENCES. OUR THANKS TO EACH AND EVERY ONE OF YOU FOR GOING THE EXTRA MILE.

and this year, once again, our people have worked hard to make SKYCITY the people's choice in bars and restaurants, gaming, accommodation, events, functions and conferences. Our thanks to each and every one of you for going the extra mile.

At our upcoming 2014 Annual Meeting on 17 October, Brent Harman and Sue Suckling will be seeking re-election as directors. We will also provide a further update about the company's activities at that time.



**CHRIS MOLLER**  
CHAIRMAN ON BEHALF OF THE  
SKYCITY BOARD



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

# OUR COMPANY

**We have always had ambitions for the cities we operate in. Our business is about creating world-class entertainment and accommodation destinations that will bring greater vibrancy to our cities.**

This has been a highly significant year for SKYCITY. We moved into detailed planning, design and implementation phases on our three key developments. These developments will drive growth for our business, our partners, our investors and the wider community and economy.

In Auckland, we have developed Federal Street into a busy food and entertainment destination. In Adelaide, the Adelaide Casino

will become part of an amazing integrated entertainment precinct with a 6-star boutique hotel and signature restaurants.

We're working with our stakeholders to develop a conference and exhibition centre in Auckland that the whole country can be proud of. We are close to lodging resource consent applications and unveiling the designs for the New Zealand International Convention Centre (NZICC). We have also

announced another major project for Auckland – a new 300-room hotel to sit alongside the NZICC.

Our commitment is to continue to bring flair, excitement, variety and energy to the cities we operate in; to offer safe, fun entertainment; and to operate responsibly so as to benefit all our stakeholders. Our business celebrates the best of what it means to live in great cities today.

## NEW ZEALAND

### 1 AUCKLAND

RESTAURANTS / BARS / CAFES	20
HOTEL ROOMS	635
GAMING MACHINES	1,647
TABLE GAMES	110
EMPLOYEES	3,165

### 2 HAMILTON

RESTAURANTS / BARS / CAFES	7
GAMING MACHINES	339
TABLE GAMES	23
EMPLOYEES	407*

\* includes full time, part time and casual

### 3 QUEENSTOWN (TWO SITES)

RESTAURANTS / BARS	4
GAMING MACHINES	159
TABLE GAMES	18
EMPLOYEES	107

## AUSTRALIA

### 4 DARWIN

RESTAURANTS / BARS / CAFES	13
HOTEL ROOMS	120
RESORT ROOMS	30
GAMING MACHINES	730
TABLE GAMES	30
EMPLOYEES	1,248*

\* includes full time, part time and casual

### 5 ADELAIDE

RESTAURANTS / BARS / CAFES	9
GAMING MACHINES	990
TABLE GAMES	90
EMPLOYEES	1,172

As at 1 September 2014



## DELIVERING IN AUCKLAND

IN FY14

316,364

PEOPLE STAYED AT ONE OF OUR HOTELS

413,789

PEOPLE VISITED THE SKY TOWER

500,000

PEOPLE PLAYED ON OUR TABLE GAMES\*

1.3M

PEOPLE PLAYED OUR GAMING MACHINES\*

2.5M

PEOPLE ENJOYED A DRINK AND/OR A MEAL

4.1M

PEOPLE VISITED THE MAIN CASINO FLOOR

\* Based on carded activity

## ADELAIDE

### 1. INTERIM REDEVELOPMENT

- Re-configuration and redevelopment of existing facilities
- Modernisation, new gaming products and technologies, segmented customer offerings
- Ticket-in-ticket-out (TITO), cashless gaming and other new regulatory and taxation reforms

### 2. EXPANSION

- 6-star boutique hotel
- Additional gaming capacity
- Horizon gaming suites and villas
- Signature restaurants, bars and entertainment venues

### 3. CAR PARK AND PLAZA

Development of a 1,400 space car park and civic plaza redevelopment on the adjacent Adelaide Festival Plaza site. SKYCITY will lease 1,000 car parks for its exclusive use.



ADELAIDE'S FIRST 6-STAR BOUTIQUE HOTEL



SEAN'S KITCHEN - OPENING LATE SEPTEMBER 2014

## EVERYONE'S A WINNER



SKYCITY Grand Hotel awarded **New Zealand's Best Business Hotel** at World Travel Awards 2013, nominated 2014

SKYCITY Grand Hotel and SKYCITY Hotel both received **Certificates of Excellence** from TripAdvisor in 2013 and 2014

SKYCITY Grand Hotel also received a TripAdvisor **Traveller's Choice Award** in 2014

The SKYCITY Darwin Lagoon Resort's iconic pool awarded **Best Resort Hotel Swimming Pool** in Australia by Gourmet Traveller in 2014. The magazine also named our Darwin property **one of the top 50 hotels in Australia** in 2014



# NEW ZEALAND INTERNATIONAL CONVENTION CENTRE

**For the first time, the New Zealand International Convention Centre (NZICC) will attract lucrative conventions and events to New Zealand. These are opportunities the country is currently missing out on. As a serious player in the business events industry, New Zealand will be able to compete with Sydney, Melbourne, Brisbane, Adelaide and parts of South East Asia for international conventions.**

The NZICC will play a critical role in enabling valuable knowledge transfer. It will enable us to showcase our national talent, products, research and development facilities and tertiary networks to the world, positioning New Zealand as a smart and innovative country to knowledge intensive industries and global thought leaders.

The NZICC will reinforce Auckland's reputation as a leading and vibrant international city. It will enhance the rejuvenation of the western edge of the CBD and provide a catalyst for further visitor and entertainment development in the 'Victoria Quarter' and 'Federal Street Precinct'.

At an impressive 34,000 square metres, this will be the largest and most versatile

conference, exhibition and entertainment space in New Zealand.

- 1,000 square metres of elevated views for banquet style setting.
- Mezzanine levels with panoramic views that can easily be converted from meeting and exhibition to banquet and performance functions.
- A dedicated, flexible plenary theatre configurable in multiple modes for up to 3,000 people.
- 3,000 square metres of meeting and breakout spaces, easily configured in modules with larger rooms divisible into smaller spaces.
- Exhibition space – roughly the size of Eden Park.



The concept has been developed to enable the building to play a vital role in a living, breathing precinct that Aucklanders will use and enjoy. The design of a generous plaza entry off Hobson Street, leading to a through site laneway, will provide social, retail and hospitality experiences for Aucklanders and visitors alike:

- A welcoming plaza
- Laneway between Hobson Street and Nelson Street with cafes and places to visit
- Four levels of underground car parking.



# FEDERAL STREET

## 1 FEDERAL DELICATESSEN

- Metro Restaurant of the Year 2014 Top 50

## 2 DEPOT

- Cuisine New Zealand Good Food Awards 2013, One Hat
- Cuisine New Zealand Good Food Awards 2014, One Hat
- Cuisine New Zealand Good Food Awards 2014, Personality of the Year (Gatlin Avery)
- Metro Restaurant of the Year 2014 Top 50

## 3 MASU BY NIC WATT

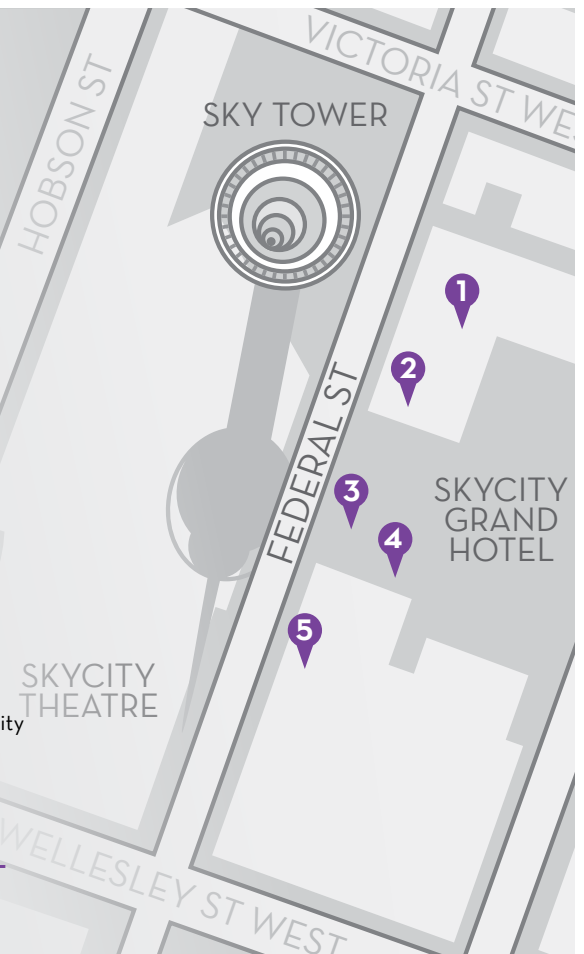
- Metro Restaurant of the Year 2014 Supreme Winner
- Metro Restaurant of the Year 2014 Best New Restaurant
- Metro Restaurant of the Year 2014 Best Drinks List
- Metro Restaurant of the Year 2014 Top 50
- Cuisine New Zealand Good Food Awards 2014, Best New Restaurant

## 4 GUSTO AT THE GRAND

- Metro Restaurant of the Year 2014 Top 50

## 5 THE GRILL BY SEAN CONNOLLY

- Cuisine New Zealand Good Food Awards 2013, Two Hats
- Metro Restaurant of the Year 2013 Top 50
- Cuisine New Zealand Good Food Awards 2014, Two Hats
- Metro Restaurant of the Year 2014 Top 50



In FY14, approximately **4 million** covers were served in Auckland with diners enjoying:

**580** tonnes of meat and poultry

**1.5M** servings of pastries

**135,000** oysters

**39** tonnes of prawns

**13** tonnes of coffee

**950** tonnes of fruit and vegetables



# OUR BOARD

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





## 1 CHRIS MOLLER - Chairman

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

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

## 2 BRUCE CARTER - Deputy Chairman

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

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

## 3 ROD MCGEOCH - Director\*

Member of the Audit and Financial Risk Committee and Member of the Governance and Nominations Committee. Appointed a Director of SKYCITY in September 2002.

Based in Sydney, Australia, Rod McGeoch is a director of Ramsay Health Care Limited and the Chairman of the Mediaworks Group of companies. He is also Chairman of Vantage Private Equity Growth Limited, BGP Holdings plc (Malta) and BGP Investment s.à.r.l (Luxembourg). He is the Honorary Chairman of the Trans-Tasman Business Circle and the Co-Chairman of the Australia New Zealand Leadership Forum. In 2013, Rod was awarded an Officer of the Order of Australia for distinguished service to the Community through contributions to a range of organisations and to sport, particularly through leadership in securing the Sydney Olympic Games.

\* Rod McGeoch will retire on the eve of SKYCITY's forthcoming 2014 Annual Meeting.

## 4 BRENT HARMAN - Director

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

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

## 5 PETER CULLINANE - Director

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

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

## 6 SUE SUCKLING - Director

Member of the Remuneration and Human Resources Committee and Member of the Governance and Nominations Committee. Appointed a Director of SKYCITY in May 2011. Sue is responsible for leading the board's agenda on health and safety and ensuring that health and safety is monitored and that appropriate issues are addressed as necessary.

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

## 7 RICHARD DIDSBURY - Director

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

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

## 8 NIGEL MORRISON - Managing Director

Appointed a Director of SKYCITY in December 2008.

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

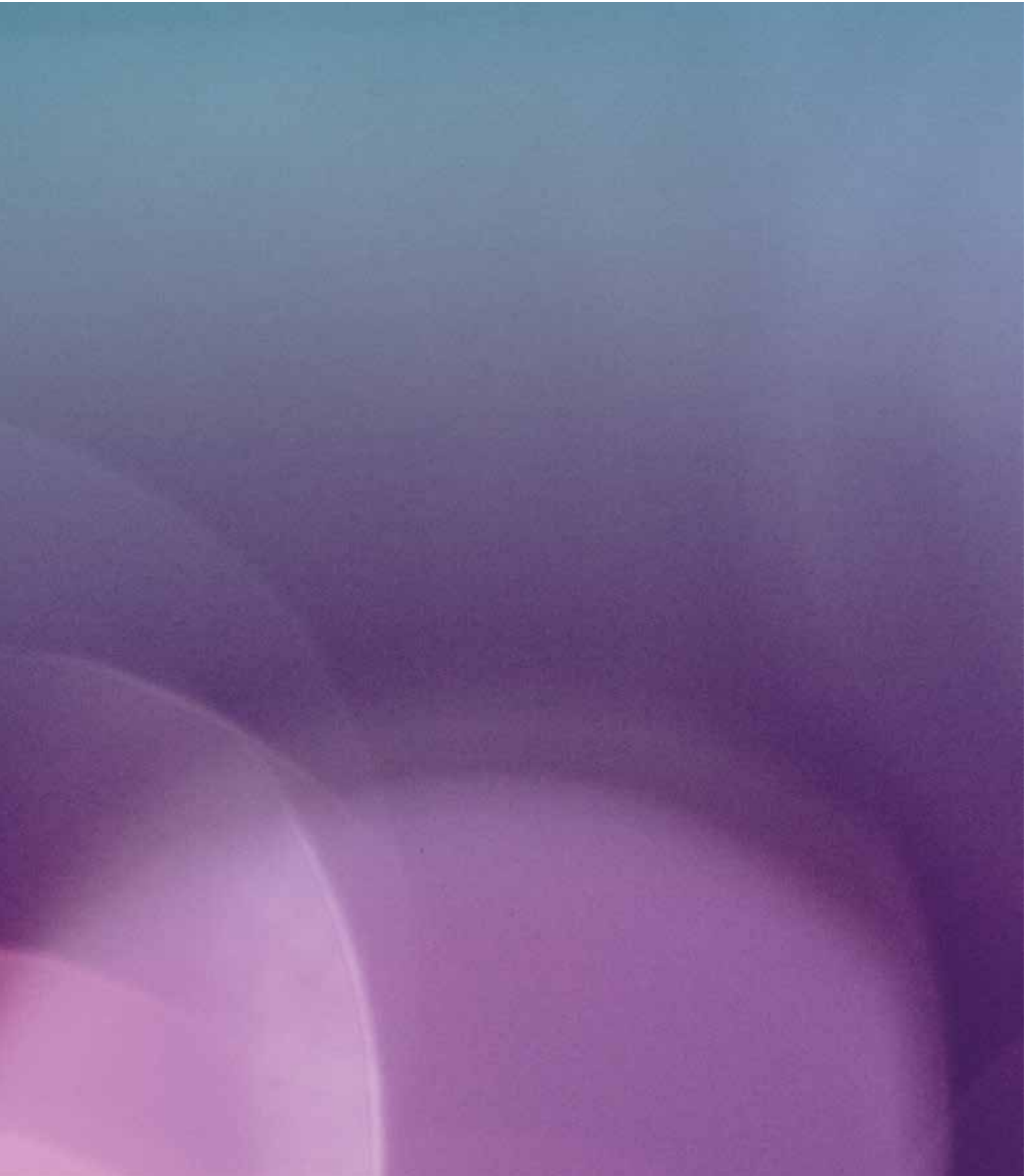
## 9 RICHARD TSIANG \*\*

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

\*\* The appointment of Richard Tsiang remains subject to regulatory approvals being obtained.

# FINANCIAL STATEMENTS AND NOTES

FOR THE YEAR ENDED 30 JUNE 2014





to the shareholders of SKYCITY Entertainment Group Limited

### **Report on the Financial Statements**

We have audited the financial statements of SKYCITY Entertainment Group Limited on pages 28 to 70, which comprise the balance sheets as at 30 June 2014, the income statements, statements of comprehensive income, the statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 30 June 2014 or from time to time during the financial year.

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

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

### ***Auditors' Responsibility***

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

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

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

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

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*PricewaterhouseCoopers, 188 Quay Street, Private Bag 92162, Auckland 1142, New Zealand  
T: +64 9 355 8000, F: +64 9 355 8001, [pwc.co.nz](http://pwc.co.nz)*

**Opinion**

In our opinion, the financial statements on pages 28 to 70:

- (i) comply with generally accepted accounting practice in New Zealand;
- (ii) comply with International Financial Reporting Standards; and
- (iii) give a true and fair view of the financial position of the Company and the Group as at 30 June 2014, and its financial performance and cash flows for the year then ended.

**Report on Other Legal and Regulatory Requirements**

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2014:

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

**Restriction on Distribution or Use**

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



Chartered Accountants  
13 August 2014

Auckland

FOR THE YEAR ENDED 30 JUNE 2014	NOTES	CONSOLIDATED		PARENT	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Total receipts including GST	4	928,228	970,651	-	-
Less non-gaming GST	4	(26,694)	(26,148)	-	-
Gaming win plus non-gaming revenue	4	901,534	944,503	-	-
Less gaming GST	4	(81,051)	(84,954)	-	-
Revenue	4	820,483	859,549	-	-
<b>Revenue</b>	4	820,483	859,549	-	-
Other income	5	1,000	1,022	122,969	113,484
Shares of net profits of associates		-	2,245	-	-
Employee benefits expense		(280,009)	(281,281)	(13,578)	(15,048)
Other expenses	6	(121,007)	(119,447)	(7,705)	(6,904)
Direct consumables		(68,028)	(67,453)	-	-
Gaming taxes and levies		(55,361)	(61,573)	-	-
Marketing and communications		(30,343)	(34,796)	(1,520)	(1,452)
Directors' fees		(1,130)	(1,123)	(1,130)	(1,123)
Depreciation and amortisation expense	6	(80,769)	(76,784)	(5,667)	(5,593)
Restructuring costs	6	(9,170)	(3,235)	(792)	(1,694)
Finance costs – net	7	(48,049)	(49,263)	(4,902)	(4,178)
Gain on disposal of associate	16	934	59	-	-
<b>Profit before income tax</b>		128,551	167,920	87,675	77,492
Tax expense	8	(30,014)	(40,538)	(384)	(1,479)
<b>Profit for the year</b>		98,537	127,382	87,291	76,013
Attributable to:					
<b>Profit attributable to shareholders of the company</b>		98,537	127,289	87,291	76,013
Non-controlling interest	25	-	93	-	-
		98,537	127,382	87,291	76,013
	NOTES	CENTS	CENTS		
<b>Earnings per share for profit attributable to the shareholders of the company:</b>					
Basic earnings per share	9	17.0	22.1		
Diluted earnings per share	9	17.0	22.1		

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

FOR THE YEAR ENDED 30 JUNE 2014	NOTES	CONSOLIDATED		PARENT	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Profit for the year</b>		<b>98,537</b>	<b>127,382</b>	<b>87,291</b>	<b>76,013</b>
<b>Other comprehensive income</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Exchange differences on translation of overseas subsidiaries	24	(27,102)	(24,213)	-	-
Movement in cash flow hedges	24	(4,546)	10,878	-	-
Income tax relating to components of other comprehensive income	24	1,375	(3,118)	-	-
Other comprehensive income for the year		(30,273)	(16,453)	-	-
<b>Total comprehensive income for the year, net of tax</b>		<b>68,264</b>	<b>110,929</b>	<b>87,291</b>	<b>76,013</b>
<b>Total comprehensive income for the year is attributable to:</b>					
Shareholders of the company		68,264	110,836		
Non-controlling interest	25	-	93		
		<b>68,264</b>	<b>110,929</b>		

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

AS AT 30 JUNE 2014	NOTES	CONSOLIDATED		PARENT	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
ASSETS					
Current assets					
Cash and bank balances	10	54,052	51,131	1	1
Receivables and prepayments	11	18,810	20,398	53,227	53,278
Inventories		7,871	7,416	-	-
Tax prepayment	12	33,158	38,227	-	-
Derivative financial instruments	13	769	692	-	-
Total current assets		114,660	117,864	53,228	53,279
Non-current assets					
Tax prepayment	12	21,183	16,624	-	-
Property, plant and equipment	14	1,141,947	1,093,982	7,227	7,287
Investment in subsidiaries	30	-	-	628,387	623,595
Intangible assets	15	537,648	389,639	11,046	10,231
Derivative financial instruments	13	15,889	33,910	-	-
Total non-current assets		1,716,667	1,534,155	646,660	641,113
Total assets		1,831,327	1,652,019	699,888	694,392
LIABILITIES					
Current liabilities					
Payables	17	119,500	105,399	278,823	273,746
Interest bearing liabilities	18	81,724	-	-	-
Derivative financial instruments	13	10,753	304	-	-
Subordinated debt – capital notes	20	76,441	-	76,441	-
Total current liabilities		288,418	105,703	355,264	273,746
Non-current liabilities					
Interest bearing liabilities	18, 19	498,935	558,806	-	-
Subordinated debt – capital notes	20	-	56,427	-	56,427
Deferred tax liabilities	21	75,715	87,603	1,863	1,479
Derivative financial instruments	13	28,833	30,589	-	-
Deferred licence value	15	165,541	-	-	-
Total non-current liabilities		769,024	733,425	1,863	57,906
Total liabilities		1,057,442	839,128	357,127	331,652
Net assets		773,885	812,891	342,761	362,740
EQUITY					
Share capital	23	737,546	729,395	737,546	729,395
Reserves	24(a)	(48,576)	(18,303)	-	-
Retained profits/(losses)	24(b)	84,915	101,799	(394,785)	(366,655)
Total equity		773,885	812,891	342,761	362,740

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



## STATEMENTS OF CHANGES IN EQUITY



FOR THE YEAR ENDED 30 JUNE 2014	NOTES	SHARE CAPITAL \$'000	HEDGING RESERVES \$'000	FOREIGN CURRENCY TRANSLATION RESERVE \$'000	RETAINED PROFITS \$'000	MINORITY INTEREST \$'000	TOTAL EQUITY \$'000
CONSOLIDATED							
Balance as at 1 July 2012		727,598	(13,355)	11,505	81,690	1,704	809,142
Total comprehensive income/(expense)		-	7,760	(24,213)	127,289	93	110,929
Dividends	26	-	-	-	(103,856)	-	(103,856)
Share rights issued for employee services	23	1,394	-	-	-	-	1,394
Repayment of non-controlling interest	25	-	-	-	-	(121)	(121)
Acquisition of non-controlling interest	25	-	-	-	(3,324)	(1,676)	(5,000)
Net purchase of treasury shares	23	403	-	-	-	-	403
Balance as at 30 June 2013		729,395	(5,595)	(12,708)	101,799	-	812,891
Balance as at 1 July 2013		729,395	(5,595)	(12,708)	101,799	-	812,891
Total comprehensive income/(expense)		-	(3,171)	(27,102)	98,537	-	68,264
Dividends	26	-	-	-	(115,421)	-	(115,421)
Shares issued under dividend reinvestment plan	23	20,126	-	-	-	-	20,126
Share rights issued for employee services	23	1,238	-	-	-	-	1,238
Net purchase of treasury shares	23	(13,213)	-	-	-	-	(13,213)
Balance as at 30 June 2014		737,546	(8,766)	(39,810)	84,915	-	773,885
PARENT							
Balance as at 1 July 2012		727,598			(338,812)		388,786
Total comprehensive income/(expense)		-			76,013		76,013
Dividends	26	-			(103,856)		(103,856)
Share rights issued for employee services	23	1,394			-		1,394
Net purchase of treasury shares	23	403			-		403
Balance as at 30 June 2013		729,395			(366,655)		362,740
Balance as at 1 July 2013		729,395			(366,655)		362,740
Total comprehensive income/(expense)		-			87,291		87,291
Dividends	26	-			(115,421)		(115,421)
Share rights issued for employee services	23	1,238			-		1,238
Net purchase of treasury shares	23	(13,213)			-		(13,213)
Shares issued under dividend reinvestment plan	23	20,126			-		20,126
Balance as at 30 June 2014		737,546			(394,785)		342,761

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

FOR THE YEAR ENDED 30 JUNE 2014	NOTES	CONSOLIDATED		PARENT	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Cash flows from operating activities</b>					
Receipts from customers		820,259	861,559	-	-
Payments to suppliers and employees		(501,268)	(515,501)	(26,124)	(25,252)
		<b>318,991</b>	<b>346,058</b>	<b>(26,124)</b>	<b>(25,252)</b>
Dividends received		5	1,616	-	-
Interest received		-	69	-	-
Gaming tax paid		(48,206)	(54,402)	-	-
Income taxes paid		(40,017)	(36,394)	-	-
<b>Net cash inflow / (outflow) from operating activities</b>	33	<b>230,773</b>	<b>256,947</b>	<b>(26,124)</b>	<b>(25,252)</b>
<b>Cash flows from investing activities</b>					
Purchase of/proceeds from property, plant and equipment		(156,164)	(111,785)	-	-
Payments for intangible assets		(11,899)	(11,489)	-	-
Non-controlling interest share repurchase		-	(121)	-	-
Purchase of non-controlling interest in Queenstown Casinos Limited		-	(5,000)	-	-
Loan repayment from Christchurch Hotels Limited		-	527	-	-
Loan repayment from Christchurch Hotels Limited as part of the disposal		-	4,598	-	-
Proceeds from sale of Christchurch Casinos Limited		1,440	75,402	-	-
Dividend from subsidiaries		-	-	122,969	113,484
<b>Net cash inflow /(outflow) from investing activities</b>		<b>(166,623)</b>	<b>(47,868)</b>	<b>122,969</b>	<b>113,484</b>
<b>Cash flows from financing activities</b>					
Cash flows associated with derivatives	13	9,202	(3,695)	-	-
Drawdown/(repayment) of borrowings		67,193	(43,000)	-	-
Proceeds from sale of capital notes		20,000	-	20,000	-
Advances from subsidiaries	29	-	-	(3,621)	19,397
Net purchase of treasury shares	23	(13,213)	403	(13,213)	403
Dividends paid to company shareholders	26	(95,295)	(103,856)	(95,295)	(103,856)
Interest paid		(49,116)	(49,200)	(4,716)	(4,176)
<b>Net cash (outflows) from financing activities</b>		<b>(61,229)</b>	<b>(199,348)</b>	<b>(96,845)</b>	<b>(88,232)</b>
<b>Net increase / (decrease) in cash and bank balances</b>		<b>2,921</b>	<b>9,731</b>	<b>-</b>	<b>-</b>
Cash and bank balances at the beginning of the year		51,131	41,400	1	1
<b>Cash and cash equivalents at end of year</b>	10	<b>54,052</b>	<b>51,131</b>	<b>1</b>	<b>1</b>

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

## 1 GENERAL INFORMATION

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

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

These financial statements have been approved for issue by the board of directors on 13 August 2014.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements for the year ended 30 June 2014 have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable New Zealand Financial Reporting Standards.

### (a) Basis of Preparation

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

#### *Compliance with IFRS*

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

#### *Entities Reporting*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 30 June 2014 and the results of all subsidiaries and associates for the year then ended.

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

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

The Parent company has a negative net working capital balance. The Parent's subsidiaries will continue to support it as required.

The Group has a negative working capital balance as the capital notes and some of the USPP debt mature within the next twelve months. The Group has significant available undrawn committed banking facilities totalling \$330 million as at 30 June 2014 (refer to note 19) and has the ability to fully pay all debts as they fall due.

### *Statutory Base*

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

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

### *Measurement Basis*

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

### *Critical Accounting Estimates and Judgements*

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

#### *(i) Impairment Testing*

The Group tests annually whether goodwill and indefinite licences have suffered any impairment, in accordance with the accounting policy stated in note 2(i). The recoverable amounts of cash generating units have been determined based on value in use calculations. These calculations require the use of estimates (refer note 15).

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

#### *(ii) Deferred Tax*

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future

taxable amounts will be available to utilise those temporary differences and losses (refer note 21). Certain judgements are made in calculating these temporary differences.

### **(iii) Fair Value of Regulatory Reforms**

Regulatory reforms were granted to the Group in relation to the Adelaide Casino licence. These reforms were measured at fair value using a discounted cashflow model. This calculation requires the use of estimates (refer note 15).

## **(b) Principles of Consolidation**

### **(i) Subsidiaries**

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

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

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

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

### **(ii) Transactions with Non-Controlling Interests**

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

## **(c) Segment Reporting**

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

## **(d) Foreign Currency Translation**

### **(i) Functional and Presentation Currency**

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

### **(ii) Transactions and Balances**

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

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

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

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

- assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each Income Statement are translated at average exchange rates; and

- all resulting exchange differences are recognised as a separate component of equity.

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

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

### **(e) Revenue Recognition**

Revenue is recognised as summarised below.

#### **(i) Operating Revenue**

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

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

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

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

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

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

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

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

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

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a

transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

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

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

### **(g) Goods and Services Tax (GST)**

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

### **(h) Leases**

#### ***The Group is the Lessee***

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

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

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

### **(j) Cash and Bank Balances**

Cash and bank balances include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are

subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

#### (k) Trade Receivables

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

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

#### (l) Inventories

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

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

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

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

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

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

##### (ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or

services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the Balance Sheet.

#### (n) Derivatives

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

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

##### (i) Fair Value Hedge

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

##### (ii) Cash Flow Hedge

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

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

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the Income Statement when the



forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is transferred to the Income Statement.

**(iii) Derivatives that do not Qualify for Hedge Accounting**

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

**(o) Property, Plant and Equipment**

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

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

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

- Buildings and fit-out 5-75 years
- Plant and equipment 2-75 years
- Motor vehicles 3 years
- Fixtures and fittings 3-20 years

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

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

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

**(p) Intangible Assets**

**(i) Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business/associate at the date of acquisition.

Goodwill on acquisitions of businesses is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal

of an entity include the carrying amount of goodwill relating to the entity sold.

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

**(ii) Other Casino Licences**

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

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

**(iii) Regulatory Reforms Associated with Casino Licences**

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

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

**(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 lives (three to seven years).

**(q) Payables**

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

**(r) Borrowings**

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

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

### (s) Borrowing Costs

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

### (t) Employee Benefits

#### (i) Wages, Salaries and Annual Leave

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

#### (ii) Share-Based Payments

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

### (u) Share Capital

Ordinary shares are classified as equity.

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

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

### (v) Dividends

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

### (w) Earnings Per Share

#### (i) Basic Earnings Per Share

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

#### (ii) Diluted Earnings Per Share

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

### (x) Statement of Cash Flows

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

### (y) Standards, Amendments and Interpretations to Existing Standards that are not yet Effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 July 2014 or later periods, but which the Group has not early adopted. The significant items are:

- **NZ IFRS 9, Financial Instruments (effective from annual periods beginning on or after 1 January 2018).**

This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

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

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

NZ IFRS 9 (2013) is a revised version of NZ IFRS 9. The revised standard incorporates new hedge accounting requirements including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.

NZ IFRS 9 (2014) Financial Instruments requires the use of the expected credit losses model when calculating impairment of financial instruments.

This standard is not expected to significantly impact the Group.

- **NZ IFRS 15, Revenue from contracts with customers, (effective for annual periods beginning on or after 1 January 2017)**

NZ IFRS 15 addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in NZ IAS 18 Revenue and NZ IAS 11 Construction contracts and is applicable to all entities with revenue. It sets out a 5 step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group has yet to assess NZ IFRS 15's full impact. The Group will apply this standard from 1 July 2017.

#### **(z) New Accounting Standards Adopted in the Year**

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

The Group has adopted External Reporting Board Standard A1 Accounting Standards Framework (For-profit Entities Update) (XRB A1). XRB A1 establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The Group is a Tier 1 entity. There was no impact on the current or prior year financial statements.

During the period the Group adopted NZ IFRS 13 Fair Value Measurement. As a result a limited number of disclosures have been added to these financial statements. There has been no material impact on the Income Statement or Balance Sheet.

### **3 SEGMENT INFORMATION**

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

The Group is organised into the following main operating segments:

- **SKYCITY Auckland**

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

- **Rest of New Zealand**

Rest of New Zealand includes the Group's interest in SKYCITY Hamilton, SKYCITY Queenstown Casino, SKYCITY Wharf and Christchurch Casino (sold December 2012).

- **SKYCITY Adelaide**

SKYCITY Adelaide includes casino operations and food and beverage.

- **SKYCITY Darwin**

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

- **International Business**

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

- **Corporate / Group**

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

### 3 SEGMENT INFORMATION (continued)

	SKYCITY AUCKLAND \$'000	REST OF NEW ZEALAND \$'000	SKYCITY ADELAIDE \$'000	SKYCITY DARWIN \$'000	INTER- NATIONAL BUSINESS \$'000	CORPORATE/ GROUP \$'000	TOTAL \$'000
<b>2014</b>							
Revenue from external customers and other income	430,519	53,949	150,504	130,704	55,807	-	821,483
Shares of net profits of associates	-	934	-	-	-	-	934
Expenses	(226,366)	(35,426)	(118,465)	(90,298)	(58,083)	(36,410)	(565,048)
Depreciation and amortisation	(44,898)	(5,269)	(11,508)	(13,425)	-	(5,669)	(80,769)
Segment profit/EBIT	159,255	14,188	20,531	26,981	(2,276)	(42,079)	176,600
Finance costs							(48,049)
Profit before income tax							128,551
Segment assets	726,167	62,786	454,450	339,401	-	248,523	1,831,327
Net additions to non current assets (other than financial assets and deferred tax)	17,417	7,849	47,899	8,691	-	73,192	155,048
<b>2013</b>							
Revenue from external customers and other income	418,011	54,052	173,687	147,106	67,715	-	860,571
Shares of net profits of associates	-	2,304	-	-	-	-	2,304
Expenses	(221,202)	(31,605)	(129,691)	(100,344)	(55,818)	(30,248)	(568,908)
Depreciation and amortisation	(41,179)	(4,883)	(11,422)	(13,704)	-	(5,596)	(76,784)
Segment profit/EBIT	155,630	19,868	32,574	33,058	11,897	(35,844)	217,183
Finance costs							(49,263)
Profit before income tax							167,920
Segment assets	759,425	61,341	262,063	381,612	-	187,578	1,652,019
Net additions to non current assets (other than financial assets and deferred tax)	69,452	9,148	15,590	28,097	-	5,043	127,330

Breakdown of the revenue from all services is as follows:

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
<b>Revenue - products and services</b>		
Local gaming	570,532	598,969
International business	55,807	67,715
Non-gaming	194,144	192,865
<b>Total revenue</b>	<b>820,483</b>	<b>859,549</b>

### 3 SEGMENT INFORMATION (continued)

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
<b>Revenue - geographic</b>		
New Zealand	522,133	520,330
Australia	298,350	339,219
<b>Total revenue</b>	<b>820,483</b>	<b>859,549</b>
<b>Non-current asset additions - geographic</b>		
New Zealand	98,459	83,643
Australia	56,589	43,687
<b>Total non-current asset additions</b>	<b>155,048</b>	<b>127,330</b>
<b>Non-current assets excluding financial instruments - geographic</b>		
New Zealand	934,789	888,338
Australia	765,960	611,908
<b>Total non-current assets excluding financial instruments</b>	<b>1,700,749</b>	<b>1,500,246</b>

### 4 REVENUE

	CONSOLIDATED		PARENT	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Total receipts including GST	928,228	970,651	-	-
Less non-gaming GST	(26,694)	(26,148)	-	-
Gaming win plus non-gaming revenue	901,534	944,503	-	-
Less gaming GST	(81,051)	(84,954)	-	-
<b>Total revenue</b>	<b>820,483</b>	<b>859,549</b>	<b>-</b>	<b>-</b>
Gaming	626,339	666,684	-	-
Non-gaming	194,144	192,865	-	-
<b>Total revenue</b>	<b>820,483</b>	<b>859,549</b>	<b>-</b>	<b>-</b>

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

Included within consolidated gaming revenue is revenue relating to loyalty action points of \$1,342,000 (30 June 2013: \$1,945,000).

Included within consolidated non-gaming revenue is revenue relating to loyalty action points of \$728,000 (30 June 2013: \$931,000).

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

## 5 OTHER INCOME

	CONSOLIDATED		PARENT	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Net gain on disposal of property, plant and equipment	995	947	-	-
Interest income - Christchurch Hotels Limited	-	69	-	-
Dividend income	5	6	-	-
Dividends from wholly-owned entities	-	-	122,969	113,484
	1,000	1,022	122,969	113,484

## 6 EXPENSES

	CONSOLIDATED		PARENT	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Profit before income tax includes the following specific expenses:</b>				
<b>Depreciation</b>				
Buildings	24,421	24,980	-	-
Plant and equipment	37,915	35,751	2,363	2,323
Fixtures and fittings	9,516	8,001	-	-
Motor vehicles	403	417	-	-
Total depreciation	72,255	69,149	2,363	2,323
<b>Amortisation</b>				
Casino licences (Adelaide)	3,115	2,618	-	-
Computer software	5,399	5,017	3,304	3,270
Total amortisation	8,514	7,635	3,304	3,270
Total depreciation and amortisation	80,769	76,784	5,667	5,593
<b>Other expenses includes:</b>				
Utilities, insurance and rates	23,002	24,169	170	186
Community Trust donations	2,635	2,919	-	-
Minimum lease payments relating to operating leases	4,382	4,589	-	-
Other property expenses	14,035	15,760	-	-
Other items (including International commissions)	75,944	69,282	7,535	6,718
Provision for bad and doubtful debts	1,009	2,728	-	-
	121,007	119,447	7,705	6,904
<b>Restructuring costs:</b>				
Redundancy and other staff payments	2,303	1,566	180	952
Adelaide transformation costs	4,262	-	-	-
Strategic projects and development costs	1,373	982	-	-
Other restructuring costs	1,232	687	612	742
	9,170	3,235	792	1,694



## 6 EXPENSES (continued)

### Auditors' fees

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

	CONSOLIDATED		PARENT	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>(a) Assurance services</b>				
<b>Audit services</b>				
PricewaterhouseCoopers				
Audit of Group financial statements	436	436	436	436
Audit of subsidiary financial statements	102	102	-	-
Half year review	87	87	87	87
Total remuneration for audit services	625	625	523	523
<i>Other assurance services provided by PricewaterhouseCoopers</i>				
Accounting advice and assistance	42	51	42	51
Compliance reviews	40	39	40	39
Tax compliance services	106	115	43	43
Total remuneration for other assurance services	188	205	125	133
Total remuneration for assurance services	813	830	648	656
<b>(b) Other services</b>				
PricewaterhouseCoopers				
Taxation advisory services*	295	217	-	8
Executive benchmarking assistance	156	92	113	92
Total remuneration for taxation services	451	309	113	100
	1,264	1,139	761	756

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

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

## 7 FINANCE COSTS - NET

	CONSOLIDATED		PARENT	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Finance costs</b>				
Interest and finance charges	50,130	51,661	4,902	4,178
Exchange (gains) /losses	(125)	249	-	-
Interest income	(1,956)	(2,647)	-	-
<b>Total finance costs</b>	<b>48,049</b>	<b>49,263</b>	<b>4,902</b>	<b>4,178</b>

## 8 INCOME TAX EXPENSE

	CONSOLIDATED		PARENT	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>(a) Income Tax Expense</b>				
Current tax	39,952	39,882	-	-
Deferred tax	(9,938)	656	384	1,479
	<b>30,014</b>	<b>40,538</b>	<b>384</b>	<b>1,479</b>
<b>(b) Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable</b>				
Profit from continuing operations before income tax expense	128,551	167,920	87,675	77,492
Tax at the New Zealand tax rate of 28% (2013: 28%)	35,994	47,018	24,549	21,698
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Inter-company eliminations	-	-	10,172	11,212
Net non-deductible items	717	1,409	94	345
Share of net profit of associates	(262)	(629)	-	-
Foreign exchange rate differences	98	381	-	-
Exempt dividends received	-	(3)	(34,431)	(31,776)
Share of partnership expenditure	(6,546)	(6,934)	-	-
Tax losses not previously recognised	-	(1,174)	-	-
Differences in overseas tax rates	(372)	423	-	-
Over provision in prior years	385	47	-	-
<b>Income tax expense</b>	<b>30,014</b>	<b>40,538</b>	<b>384</b>	<b>1,479</b>

The weighted average applicable tax rate was 23.3% (2013: 24.1%).

## 9 EARNINGS PER SHARE

	CONSOLIDATED	
	2014 CENTS	2013 CENTS
<b>Basic earnings per share</b>		
Profit attributable to the ordinary equity holders of the company	17.0	22.1
<b>Diluted earnings per share</b>		
Profit attributable to the ordinary equity holders of the company	17.0	22.1

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

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Profit for the year	98,537	127,382
Profit attributable to minority interests	-	(93)
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	98,537	127,289

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

	2014 NUMBER	2013 NUMBER
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	579,706,028	576,958,340

### (c) Information Concerning the Classification of Securities

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

## 10 CASH AND BANK BALANCES

	CONSOLIDATED		PARENT	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Cash at bank	12,056	10,196	1	1
Cash in house	41,996	40,935	-	-
	54,052	51,131	1	1

## 11 RECEIVABLES AND PREPAYMENTS

	CONSOLIDATED		PARENT	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Trade receivables (net)	13,643	13,096	-	-
Sundry receivables	2,286	3,837	443	560
Prepayments	2,881	3,465	1,506	1,414
Amounts due from subsidiaries (note 30)	-	-	51,278	51,304
	18,810	20,398	53,227	53,278

The provision for bad and doubtful debts was increased by \$1,009,000 (30 June 2013: \$2,728,000) during the year.

The fair value of receivables and amounts due to subsidiaries approximates the carrying amount as they are of a short term nature.

## 12 NET TAX RECEIVABLES

	CONSOLIDATED		PARENT	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Tax prepayment - current	33,158	38,227	-	-
Tax prepayment - non-current	21,183	16,624	-	-
	54,341	54,851	-	-

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

### 13 DERIVATIVE FINANCIAL INSTRUMENTS

	FAIR VALUE		NOTIONAL PRINCIPAL	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Current assets</b>				
Forward foreign currency contracts	769	692	180,491	70,587
Total current derivative financial instrument assets	769	692	180,491	70,587
<b>Non-current assets</b>				
Interest rate swaps – cash flow hedges	252	208	80,000	80,000
Cross-currency interest rate swaps – cash flow hedges *	15,637	33,702	108,464	251,337
Total non-current derivative financial instrument assets	15,889	33,910	188,464	331,337
<b>Current liabilities</b>				
Forward foreign currency contracts	415	68	28,329	48,574
Interest rate swaps – cash flow hedges	836	236	91,176	29,758
Cross-currency interest rate swaps – cash flow hedges *	9,502	-	53,555	-
Total current derivative financial instrument liabilities	10,753	304	173,060	78,332
<b>Non-current liabilities</b>				
Interest rate swaps – cash flow hedges	24,039	30,589	410,317	384,334
Cross-currency interest rate swaps – cash flow hedges *	4,794	-	116,226	60,372
Total non-current derivative financial instrument liabilities	28,833	30,589	526,543	444,706

During the year there were no fair value hedges.

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

\* The fair value amounts are net of collateral payments made of \$7,339,042 (2013: \$3,695,421). When the fair value of the cross-currency interest rate swaps exceeds certain levels, a payment is received from (if the CCIRS is an asset) or made to (if the CCIRS is a liability) the counter-party.

The parent has no derivatives at 30 June 2014 (2013: nil).

## 14 PROPERTY, PLANT AND EQUIPMENT

	LAND \$'000	BUILDINGS AND FITOUT \$'000	PLANT AND EQUIPMENT \$'000	FIXTURES AND FITTINGS \$'000	MOTOR VEHICLES \$'000	CAPITAL WORK IN PROGRESS \$'000	TOTAL \$'000
<b>CONSOLIDATED</b>							
<b>At 30 June 2012</b>							
Cost	189,924	864,635	350,639	98,191	2,697	93,538	1,599,624
Accumulated depreciation	-	(219,847)	(249,418)	(63,991)	(1,950)	-	(535,206)
Net book value	189,924	644,788	101,221	34,200	747	93,538	1,064,418
<b>Movements in the year ended 30 June 2013</b>							
Opening net book value	189,924	644,788	101,221	34,200	747	93,538	1,064,418
Exchange differences	(1,950)	(10,738)	(2,281)	(337)	(24)	(3,115)	(18,445)
Net additions/transfers	4,101	66,317	49,309	12,270	2,025	(16,864)	117,158
Depreciation charge	-	(24,980)	(35,751)	(8,001)	(417)	-	(69,149)
Closing net book value	192,075	675,387	112,498	38,132	2,331	73,559	1,093,982
<b>At 30 June 2013</b>							
Cost	192,075	907,564	353,796	95,265	4,547	73,559	1,626,806
Accumulated depreciation	-	(232,177)	(241,298)	(57,133)	(2,216)	-	(532,824)
Net book value	192,075	675,387	112,498	38,132	2,331	73,559	1,093,982
<b>Movements in the year ended 30 June 2014</b>							
Opening net book value	192,075	675,387	112,498	38,132	2,331	73,559	1,093,982
Exchange differences	(2,907)	(19,137)	(3,600)	(917)	(44)	(810)	(27,415)
Net additions/transfers	439	29,362	44,367	20,048	298	53,121	147,635
Depreciation charge	-	(24,421)	(37,915)	(9,516)	(403)	-	(72,255)
Closing net book value	189,607	661,191	115,350	47,747	2,182	125,870	1,141,947
<b>At 30 June 2014</b>							
Cost	189,607	913,655	378,384	112,352	4,679	125,870	1,724,547
Accumulated depreciation	-	(252,464)	(263,034)	(64,605)	(2,497)	-	(582,600)
Net book value	189,607	661,191	115,350	47,747	2,182	125,870	1,141,947



**14 PROPERTY, PLANT AND EQUIPMENT (continued)**

	PLANT AND EQUIPMENT \$'000	CAPITAL WORK IN PROGRESS \$'000	TOTAL \$'000
<b>PARENT</b>			
<b>At 30 June 2012</b>			
Cost	27,496	1,781	29,277
Accumulated depreciation	(21,745)	-	(21,745)
Net book value	5,751	1,781	7,532
<b>Movements in the year ended 30 June 2013</b>			
Opening net book value	5,751	1,781	7,532
Net additions/transfers	2,873	(795)	2,078
Depreciation charge	(2,323)	-	(2,323)
Closing net book value	6,301	986	7,287
<b>At 30 June 2013</b>			
Cost	30,369	986	31,355
Accumulated depreciation	(24,068)	-	(24,068)
Net book value	6,301	986	7,287
<b>Movements in the year ended 30 June 2014</b>			
Opening net book value	6,301	986	7,287
Net additions/transfers	2,402	(99)	2,303
Depreciation charge	(2,363)	-	(2,363)
Closing net book value	6,340	887	7,227
<b>At 30 June 2014</b>			
Cost	32,771	887	33,658
Accumulated depreciation	(26,431)	-	(26,431)
Net book value	6,340	887	7,227

Borrowing costs of \$765,208 have been capitalised in the current year relating to capital projects (2013: \$838,507) using the Group's weighted average cost of debt of 6.92% (2013: 6.97%).

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

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

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

## 15 INTANGIBLE ASSETS

	GOODWILL \$'000	CASINO LICENCES \$'000	COMPUTER SOFTWARE \$'000	TOTAL \$'000
<b>CONSOLIDATED</b>				
<b>At 30 June 2012</b>				
Cost	156,392	271,314	60,027	487,733
Accumulated amortisation	-	(35,937)	(41,151)	(77,088)
Net book amount	156,392	235,377	18,876	410,645
<b>Movements in the year ended 30 June 2013</b>				
Opening net book amount	156,392	235,377	18,876	410,645
Exchange differences	(8,011)	(15,510)	(22)	(23,543)
Additions	-	-	10,172	10,172
Amortisation charge	-	(2,618)	(5,017)	(7,635)
Closing net book amount	148,381	217,249	24,009	389,639
<b>At 30 June 2013</b>				
Cost	148,381	253,293	70,024	471,698
Accumulated amortisation	-	(36,044)	(46,015)	(82,059)
Net book amount	148,381	217,249	24,009	389,639
<b>Movements in the year ended 30 June 2014</b>				
Opening net book amount	148,381	217,249	24,009	389,639
Exchange differences	(11,091)	(21,401)	(370)	(32,862)
Additions	-	181,945	7,440	189,385
Amortisation charge	-	(3,115)	(5,399)	(8,514)
Closing net book amount	137,290	374,678	25,680	537,648
<b>At 30 June 2014</b>				
Cost	137,290	410,219	74,635	622,144
Accumulated amortisation	-	(35,541)	(48,955)	(84,496)
Net book amount	137,290	374,678	25,680	537,648

### Casino Licence

### Contract Term

SKYCITY  
Darwin Casino

The casino and associated operations are carried out by SKYCITY Darwin under a casino licence/operator agreement (the Casino Operator's Agreement) with the Northern Territory Government. The current licence term was extended in 2011 and now expires on 30 June 2031. The Casino Operator's Agreement is subject to extension for a further 5 years once its period to maturity reaches 15 years. These licence extensions apply on a continuing five year basis so that, subject to certain criteria being met, the licence period is never less than 15 years.

Adelaide  
Casino

The casino and associated operations are carried out by SKYCITY Adelaide under a casino licence (the Approved Licensing Agreement (ALA)) dated October 1999 (as amended). Unless terminated earlier, the expiry date of the ALA is June 2085. The term of the ALA can be renewed for a further fixed term pursuant to section 9 of the Casino Act 1997 (SA). The carrying value of the Adelaide licence is amortised over the life of the agreement.

## 15 INTANGIBLE ASSETS (continued)

Effective 14 February 2014, the ALA and associated agreements were amended to (a) extend Adelaide Casino's exclusivity period for casino gaming in South Australia for a further 20 years until 30 June 2035 (during which period no other casino gaming is permitted, except for interactive gambling); (b) permit the implementation of account based cashless gaming and ticket in ticket out gaming systems; (c) permit an increase in the number of both gaming machines and gaming tables; (d) reflect new taxation rates; and (e) implement various other operational improvements. As part of the agreement with the South Australian Government, SKYCITY Adelaide has agreed to undertake a A\$350 million casino expansion and hotel development project to be completed by 30 June 2019.

These reforms are exclusive to the Group and have therefore been recorded at fair value based on the estimated incremental benefit of the reforms over the life of the reforms. The fair value has been determined using a discounted cashflow model falling within level 3 of the fair value hierarchy over the life of the reforms.

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

- Discount rate 13.5%
- Operating margins (net of labour costs, direct costs, comps/commissions and launch marketing) are calculated based on an internal view of the structural changes to the cost base required to support the incremental revenue and the expanded property.
- New tax rates:
  - Non-VIP Electronic Gaming Machines: 41.00% (was 34.41%)
  - VIP Electronic Gaming Machines: 10.91% (was 34.41%)
  - Fully Automated Tables: 10.91% (was 0.91%)
  - Semi Automated Tables: 3.41% (was 0.91%)
  - Non-VIP Tables: 3.41% (was 0.91%)
  - VIP Tables: 0.91% (was 0.91%); and
  - Interstate Tables / International Tables: 0.91% (was 0.91%)
- Increase in number of gaming machines to 1,500 and tables to 200

The asset is amortised over 20 years or 70 years depending on whether the incremental benefit is associated with the exclusivity period or the full licence period.

Deferred Licence Value included within non-current liabilities will be transferred to property, plant and equipment as the Adelaide redevelopment is completed.

SKYCITY Auckland Casino	SKYCITY Auckland Limited holds a Casino Premises Licence for the Auckland premises. The Casino Premises Licence is for an initial 25 year term from 2 February 1996. The licence can be renewed for further periods of 15 years pursuant to section 138 of the Gambling Act 2003 (NZ). As the licence was initially granted to the company for nil consideration, there is no associated carrying value.
SKYCITY Hamilton Casino	SKYCITY Hamilton Limited holds a Casino Premises Licence for the Hamilton premises. The Casino Premises Licence is for an initial 25 year term from 19 September 2002. The licence can be renewed for further periods of 15 years pursuant to section 138 of the Gambling Act 2003 (NZ). As the licence was initially granted to the company for nil consideration, there is no associated carrying value.
SKYCITY Queenstown Casino	Queenstown Casinos Limited holds a Casino Premises Licence for these Queenstown premises. The Casino Premises Licence is for an initial 25 year term from 7 December 2000. The licence can be renewed for further periods of 15 years pursuant to section 138 of the Gambling Act 2003 (NZ). As the licence was initially granted to the company for nil consideration, there is no associated carrying value.
SKYCITY Wharf Casino (Queenstown)	Otago Casinos Limited holds a Casino Premises Licence for these Queenstown premises. The Casino Premises Licence is for an initial 25 year term from 11 September 1999. The licence can be renewed for further periods of 15 years pursuant to section 138 of the Gambling Act 2003 (NZ).

## 15 INTANGIBLE ASSETS (continued)

	COMPUTER SOFTWARE \$'000	TOTAL \$'000
PARENT COMPANY		
<b>At 30 June 2012</b>		
Cost	45,583	45,583
Accumulated amortisation	(35,552)	(35,552)
Net book amount	10,031	10,031
<b>Movements in the year ended 30 June 2013</b>		
Opening net book amount	10,031	10,031
Additions	3,470	3,470
Amortisation charge	(3,270)	(3,270)
Closing net book amount	10,231	10,231
<b>At 30 June 2013</b>		
Cost	49,053	49,053
Accumulated amortisation	(38,822)	(38,822)
Net book amount	10,231	10,231
<b>Movements in the year ended 30 June 2014</b>		
Opening net book amount	10,231	10,231
Additions	4,119	4,119
Amortisation charge	(3,304)	(3,304)
Closing net book amount	11,046	11,046
<b>At 30 June 2014</b>		
Cost	53,173	53,173
Accumulated amortisation	(42,127)	(42,127)
Net book amount	11,046	11,046

## 15 INTANGIBLE ASSETS (continued)

### (a) Impairment Tests for Intangibles with Indefinite Lives

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

	OTAGO CASINOS LIMITED* \$'000	SKYCITY HAMILTON* \$'000	SKYCITY DARWIN \$'000	TOTAL \$'000
<b>2014</b>				
Goodwill	-	35,786	101,504	137,290
Casino Licence	4,391	-	34,051	38,442
	4,391	35,786	135,555	175,732
<b>2013</b>				
Goodwill	-	35,786	112,595	148,381
Casino Licence	-	-	37,771	37,771
	-	35,786	150,366	186,152

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

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

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

	EBITDA MARGIN		GROWTH RATE		DISCOUNT RATE	
	2014 %	2013 %	2014 %	2013 %	2014 %	2013 %
SKYCITY Hamilton	35.5	40.2	2.0	2.0	10.0	10.0
SKYCITY Darwin	27.3	28.5	3.0	3.5	10.0	10.0

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

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

## 16 INVESTMENTS IN ASSOCIATES

The Group previously held a 50% interest in Christchurch Casinos Limited. This interest was sold effective 20 December 2012 for \$80 million cash (including repayment of the loan to Christchurch Hotels Limited of \$4.598 million). As a result of this disposal a gain of \$59,000 was recognised in the prior year results. In the current year additional proceeds of \$934,000 have been recognised as a further gain on disposal as a result of the final insurance claim.

### (a) Movements in carrying amounts

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Balance at the beginning of the year	-	75,266
Share of profits after income tax	-	2,245
Dividends received/receivable	-	(1,610)
Disposal	-	(75,901)
Balance at 30 June	-	-

## 17 PAYABLES

	CONSOLIDATED		PARENT	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Trade payables	21,965	18,571	-	-
Deferred income	2,600	2,917	-	-
Accrued expenses	53,415	40,558	4,652	7,143
Employee benefits	41,520	43,353	-	-
Amounts due to subsidiaries (note 30)	-	-	274,171	266,603
	119,500	105,399	278,823	273,746

The fair value of payables, accruals, and amounts due to subsidiaries approximates the carrying amount as they are of a short term nature.

## 18 CURRENT LIABILITIES - INTEREST BEARING LIABILITIES

	CONSOLIDATED		PARENT	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Unsecured</b>				
United States Private Placement (USPP)	81,724	-	-	-
Total unsecured current interest bearing borrowings	81,724	-	-	-

Refer note 19 for details concerning the US Private Debt.

### Fair value disclosures

Details of the fair value of interest bearing liabilities for the Group are set out in note 19.



## 19 NON-CURRENT LIABILITIES - INTEREST BEARING LIABILITIES

	CONSOLIDATED		PARENT	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Unsecured</b>				
United States Private Placement (USPP)	251,300	369,142	-	-
Syndicated bank facility	249,673	191,275	-	-
Deferred funding expenses	(2,038)	(1,611)	-	-
Total unsecured non-current interest bearing borrowings	498,935	558,806	-	-

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

On 15 March 2005, SKYCITY borrowed NZ\$96.571 million, A\$74.9 million and US\$274.5 million with maturities between 2012 and 2020 from private investors (primarily US based) on an unsecured basis.

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

In July and August 2009, USPP borrowings of US\$115.5 million were repaid and in March 2012 USPP borrowings of US\$85 million, A\$74.9 million and NZ\$47.275 million matured and were repaid.

Maturities of US\$47 million and NZ\$28.169 million in March 2015 are recognised as current liabilities.

Movements in the total USPP debt from 30 June 2013 relate to foreign exchange movements.

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

The offsetting value of the cross-currency interest rate swaps are included within derivative financial instruments in note 13.

### (b) Syndicated Bank Facility

As at 30 June 2014, SKYCITY had in place revolving credit facilities of NZ\$285 million (2013: NZ\$485 million) comprised of NZ\$200 million maturing October 2018 and NZ\$85 million maturing March 2020, plus A\$200 million maturing February 2019. SKYCITY also has a A\$75 million (2013: A\$75 million) term loan. The syndicated banking facility is provided by ANZ (New Zealand and Australia), Commonwealth Bank of Australia, Bank of New Zealand Limited, National Australia Bank and Westpac (New Zealand and Australia).

The facility is a revolving credit facility with the exception of a A\$75 million tranche which is a term loan.

### (c) Fair values

Fair value of long term fixed rate USPP debt is estimated at NZ\$373 million (2013: NZ\$398 million) compared to a carrying value of NZ\$333 million (2013: NZ\$369 million). Fair value has been calculated based on the present value of future principal and interest cash flows, using market interest rates and credit margins at balance date.

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

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.

## 20 SUBORDINATED DEBT - CAPITAL NOTES

	CONSOLIDATED		PARENT	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Balance at the end of the year	76,451	56,451	76,451	56,451
Deferred expense	10	24	10	24
Net capital notes at the end of the year	76,441	56,427	76,441	56,427

Capital notes are a current liability in 2014 and were a non-current liability in 2013.

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

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

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

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

As at 30 June 2014, there were 150 million (2013: 150 million) capital notes on issue, of which 73,549,500 (2013: 93,549 million) are held as treasury stock by the company. In November 2013, 20 million of capital notes were sold from treasury stock.

The capital notes are listed on the New Zealand stock exchange. As at 30 June 2014, the closing price was \$1.021 per \$1 note (2013: \$1.0290). The capital notes are carried at amortised cost.

The total fair value is \$78m, and is a level 1 valuation, as they are listed on the New Zealand stock exchange.

## 21 DEFERRED TAX LIABILITIES

	CONSOLIDATED		PARENT	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>The balance comprises temporary differences attributable to:</b>				
Prepayments and receivables	211	445	-	67
Provision and accruals	(11,560)	(12,573)	(336)	(771)
Depreciation	102,679	101,978	2,199	2,183
Foreign exchange differences	(10,726)	1,466	-	-
Tax losses	(937)	(2,089)	-	-
Other	(500)	566	-	-
Cash flow hedges	(3,452)	(2,190)	-	-
Net deferred tax liabilities	75,715	87,603	1,863	1,479
<b>Movements:</b>				
Balance at the beginning of the year	87,603	84,571	1,479	-
(Credited)/charged to the Income Statement (note 8)	(9,938)	656	384	1,479
Debited to equity reserves (note 24)	(1,276)	3,118	-	-
Foreign exchange differences	(674)	(742)	-	-
Closing balance at 30 June	75,715	87,603	1,863	1,479
Within 12 months	(24,772)	(9,597)	(336)	(106)
In excess of 12 months	100,487	97,200	2,199	1,585
	75,715	87,603	1,863	1,479

## 22 IMPUTATION CREDITS (NEW ZEALAND)

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
<b>Balances available for use in subsequent reporting periods</b>		
Imputation credit account	13,523	2,658
Franking credit account	8,054	26,615

As required by relevant tax legislation, the imputation credit account had a credit balance as at 31 March 2014.

## 23 SHARE CAPITAL

	2014 SHARES	2013 SHARES	2014 \$'000	2013 \$'000
Opening balance of ordinary shares issued	576,958,340	576,958,340	729,395	727,598
Share rights issued for employee services	-	-	1,238	1,394
Employee share entitlements issued	746,714	432,162	-	-
Treasury shares issued	(746,714)	(432,162)	-	-
Net (purchase)/issue of treasury shares	-	-	(13,213)	403
Shares issued under dividend reinvestment plan	5,129,754	-	20,126	-
	582,088,094	576,958,340	737,546	729,395

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

Included within the number of shares is 6,776,574 treasury shares (2013: 4,085,151) 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 28). Treasury shares may be used to issue shares under the company's employee incentive plans or upon the exercise of share rights/options.

## 24 RESERVES AND RETAINED PROFITS/(LOSSES)

	CONSOLIDATED		PARENT	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>(a) Reserves</b>				
Hedging reserve - cash flow hedges	(8,766)	(5,595)	-	-
Foreign currency translation reserve	(39,810)	(12,708)	-	-
	(48,576)	(18,303)	-	-
<i>Hedging reserve - cash flow hedges</i>				
Balance at the beginning of the year	(5,595)	(13,355)	-	-
Revaluation	(40,294)	10,782	-	-
Transfer to net profit - finance costs (net)	35,748	96	-	-
Deferred tax	1,375	(3,118)	-	-
Balance 30 June	(8,766)	(5,595)	-	-
<i>Foreign currency translation reserve</i>				
Balance at the beginning of the year	(12,708)	11,505	-	-
Exchange difference on translation of overseas subsidiaries	(27,102)	(24,213)	-	-
Balance 30 June	(39,810)	(12,708)	-	-

### (i) Hedging Reserve - Cash Flow Hedges

The hedging reserve is used to record gains or losses on a hedging instrument in a cash flow hedge that are recognised directly in equity, as described in note 2(n). Amounts are recognised in the Income Statement when the associated hedged transaction affects the Income Statement. Cashflows are in line with the maturity of the hedged items (refer to note 27).

### (ii) Foreign Currency Translation Reserve

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

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

### (b) Retained Profit/(Losses)

Movements in retained profits were as follows:

	CONSOLIDATED		PARENT	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Balance at the beginning of the year	101,799	81,690	(366,655)	(338,812)
Profit attributable to shareholders of the company	98,537	127,289	87,291	76,013
Dividends	(115,421)	(103,856)	(115,421)	(103,856)
Acquisition of non-controlling interest - refer note 24	-	(3,324)	-	-
Balance at the end of the year	84,915	101,799	(394,785)	(366,655)

## 25 NON-CONTROLLING INTEREST

	CONSOLIDATED	
	2014 \$'000	2013 \$'000
Balance at the beginning of the year	-	1,704
Share of profits of subsidiaries	-	93
Repayment of non-controlling interest	-	(121)
Acquisition of non-controlling interest	-	(1,676)
Balance at the end of the year	-	-

The non-controlling interest related to the 40% of Queenstown Casinos Limited which was not previously owned by SKYCITY. Effective 20 December 2012, this interest was purchased by the Group for \$5 million. The purchase consideration in excess of the carrying value of the non-controlling interest being \$3.324 million is recognised in retained profits.

## 26 DIVIDENDS

	CONSOLIDATED		PARENT	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Prior year final dividend	57,461	46,171	57,461	46,171
Current year interim dividend	57,960	57,685	57,960	57,685
Total dividends provided for or paid	115,421	103,856	115,421	103,856
Prior year final dividend (per share)	10.00¢	8.00¢	10.00¢	8.00¢
Current year interim dividend (per share)	10.00¢	10.00¢	10.00¢	10.00¢

On 13 August 2014, the directors resolved to declare a final dividend of 10 cents per share in respect of the year ended 30 June 2014 (refer to note 33 for further details).

## 27 FINANCIAL RISK MANAGEMENT

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

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

### (a) Market Risk

#### (i) Currency Risk

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

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

The Group's exposure to the US dollar (refer to US dollar US Private Placement debt detailed in note 19) has been fully hedged by way of cross-currency interest rate swaps (CCIRS), hedging US dollar exposure on both principal and interest. The CCIRS correspond in amount and maturity to the US dollar borrowings with no residual US dollar exposure.

Movement in exchange rates will have very limited impact on the parent accounts as there are minimal currency exposures in that entity.

#### (ii) Interest Rate Risk

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

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

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

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

		PRINCIPAL - INTEREST RATE REPRICING						TOTAL \$'000
		1 YEAR OR LESS \$'000	1-2 YEARS \$'000	2-3 YEARS \$'000	3-4 YEARS \$'000	4-5 YEARS \$'000	OVER 5 YEARS \$'000	
<b>2014</b>								
Cash and deposits	3.25	12,056	-	-	-	-	-	12,056
Bank facility	5.00	(249,673)	-	-	-	-	-	(249,673)
US Private Placement	4.96	(102,851)	-	(30,766)	(85,460)	-	(113,947)	(333,024)
Capital notes (NZ)	7.25	(76,450)	-	-	-	-	-	(76,450)
IRS/CCIRS*		260,143	(31,462)	(7,234)	(50,197)	(90,731)	(80,519)	-
		(156,775)	(31,462)	(38,000)	(135,657)	(90,731)	(194,466)	(647,091)
Weighted average debt interest rate**	6.75%							



## 27 FINANCIAL RISK MANAGEMENT (continued)

		PRINCIPAL - INTEREST RATE REPRICING						TOTAL \$'000
		1 YEAR OR LESS \$'000	1-2 YEARS \$'000	2-3 YEARS \$'000	3-4 YEARS \$'000	4-5 YEARS \$'000	OVER 5 YEARS \$'000	
<b>2013</b>								
Cash and deposits	2.50	10,196	-	-	-	-	-	10,196
Advance to Christchurch Hotels	-	-	-	-	-	-	-	-
Bank borrowings	4.85	(191,275)	-	-	-	-	-	(191,275)
US Private Placement	5.21	(49,296)	(60,373)	-	(34,682)	(96,339)	(128,452)	(369,142)
Capital notes (NZ)	7.25	-	(56,451)	-	-	-	-	(56,451)
IRS/CCIRS*		64,488	(33,735)	(33,807)	(3,318)	78,239	(71,867)	-
		(165,887)	(150,559)	(33,807)	(38,000)	(18,100)	(200,319)	(606,672)
Weighted average debt interest rate**	7.02%							

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

For both 2014 and 2013, capital notes were the only interest-bearing debt within the parent entity.

The parent had no derivatives as at 30 June 2014 (2013: nil).

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

### (iii) Summarised Sensitivity Analysis

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

CONSOLIDATED	INTEREST RATE RISK				FOREIGN EXCHANGE RISK			
	-100bps PROFIT \$'000	EQUITY \$'000	+100bps PROFIT \$'000	EQUITY \$'000	-5% PROFIT \$'000	EQUITY \$'000	+5% PROFIT \$'000	EQUITY \$'000
<b>30 JUNE 2014</b>								
NZD/AUD movements	-	-	-	-	(305)	8,624	338	(7,803)
NZ interest rate movement	1,799	(5,759)	(1,799)	5,465	-	-	-	-
Australian interest rate movement	286	(6,728)	(286)	6,368	-	-	-	-

CONSOLIDATED	INTEREST RATE RISK				FOREIGN EXCHANGE RISK			
	-100bps PROFIT \$'000	EQUITY \$'000	+100bps PROFIT \$'000	EQUITY \$'000	-5% PROFIT \$'000	EQUITY \$'000	+5% PROFIT \$'000	EQUITY \$'000
<b>30 JUNE 2013</b>								
NZD/AUD movements	-	-	-	-	8	14,522	(9)	(13,139)
NZ interest rate movement	1,037	(6,777)	(1,037)	6,534	-	-	-	-
Australian interest rate movement	215	(7,333)	(215)	6,865	-	-	-	-

## 27 FINANCIAL RISK MANAGEMENT (continued)

### (b) Credit Risk

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

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

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

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

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

### (c) Liquidity Risk

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

#### *Maturities of Committed Funding Facilities*

The tables below analyse the Group's maturity profile of committed funding. The bank facility revolving credit tranches of NZ\$285 million and A\$200 million (2013: NZ\$485 million) were drawn down by NZ\$137 million and A\$30 million as at 30 June 2014 (2013: \$102 million). The bank facility term tranche of A\$75 million was fully drawn.

CONSOLIDATED - AT 30 JUNE 2014	LESS THAN 6 MONTHS \$'000	6-12 MONTHS \$'000	BETWEEN 1 AND 2 YEARS \$'000	BETWEEN 2 AND 3 YEARS \$'000	BETWEEN 3 AND 5 YEARS \$'000	OVER 5 YEARS \$'000	TOTAL FACILITY \$'000
Bank facility	-	-	-	-	414,615	165,481	580,096
Capital notes	-	76,450	-	-	-	-	76,450
US Private Placement	-	81,724	-	30,766	85,460	135,074	333,024
Total debt facilities	-	158,174	-	30,766	500,075	300,555	989,570
Payables	75,380	-	-	-	-	-	75,380
Total drawn debt	-	158,174	-	30,766	254,652	215,555	659,147
Future contracted interest on drawn debt	14,333	11,278	17,770	17,254	26,417	14,827	101,879
Future contracted interest on CCIRS/IRS	5,934	5,134	8,476	7,849	12,856	10,806	51,055

## 27 FINANCIAL RISK MANAGEMENT (continued)

CONSOLIDATED - AT 30 JUNE 2013	LESS THAN 6 MONTHS \$'000	6-12 MONTHS \$'000	BETWEEN 1 AND 2 YEARS \$'000	BETWEEN 2 AND 3 YEARS \$'000	BETWEEN 3 AND 5 YEARS \$'000	OVER 5 YEARS \$'000	TOTAL FACILITY \$'000
Bank facility	-	-	-	200,000	200,000	174,275	574,275
Capital notes	-	-	56,451	-	-	-	56,451
US Private Placement	-	-	88,542	-	131,021	149,579	369,142
Total debt facilities	-	-	144,993	200,000	331,021	323,854	999,868
Payables	59,129	-	-	-	-	-	59,129
Total drawn debt	-	-	144,993	102,000	131,021	238,854	616,868
Future contracted interest on drawn debt	14,619	14,128	26,438	19,723	35,448	24,676	135,032
Future contracted interest on CCIRS/IRS	5,529	5,457	10,063	7,598	12,595	9,190	50,432

On 11 February 2014, SKYCITY converted a NZ\$200 million tranche of its revolving credit bank facilities to A\$200 million and extended the maturity date from February 2017 to February 2019. SKYCITY also extended a NZ\$85 million revolving credit tranche from March 2019 to March 2020 and A\$75 million term loan tranche from March 2019 to March 2020.

### (d) Fair Value Estimation

The table below analyses for financial instruments that are measured in the balance sheet at fair value by level of the fair value measurement hierarchy:

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

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

## 27 FINANCIAL RISK MANAGEMENT (continued)

CONSOLIDATED - AT 30 JUNE 2013	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000	TOTAL BALANCE \$'000
<b>Assets</b>				
Financial assets at fair value through profit or loss				
- Forward foreign currency contracts	-	692	-	692
Derivatives used for hedging	-	33,910	-	33,910
<b>Total assets</b>	-	34,602	-	34,602
<b>Liabilities</b>				
Financial liabilities at fair value through profit or loss				
- Forward foreign currency contracts	-	68	-	68
Derivatives used for hedging	-	30,825	-	30,825
<b>Total liabilities</b>	-	30,893	-	30,893

Further details on derivatives are provided in note 13.

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

Specific valuation techniques used to value financial instruments include:

- The fair value of interest rate swaps and cross-currency interest rates swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- At year end the parent company has no derivatives (2013: nil).

### (e) Financial instruments by category

CONSOLIDATED - AT 30 JUNE 2014	LOANS AND RECEIVABLES \$'000	ASSETS / (LIABILITIES) AT FAIR VALUE THROUGH THE INCOME STATEMENT \$'000	DERIVATIVES USED FOR HEDGING \$'000	LIABILITIES AT AMORTISED COST \$'000
Cash and bank balances	54,052	-	-	-
Trade receivables	6,216	-	-	-
Sundry receivables	9,713	-	-	-
Derivative financial instruments - assets	-	769	15,889	-
Derivative financial instruments - liabilities	-	(415)	(39,171)	-
Interest bearing liabilities	-	-	-	(498,935)
Capital notes	-	-	-	(76,441)
Payables	-	-	-	(75,134)
<b>Total</b>	<b>69,981</b>	<b>354</b>	<b>(23,282)</b>	<b>(650,510)</b>

## 27 FINANCIAL RISK MANAGEMENT (continued)

CONSOLIDATED - AT 30 JUNE 2013	LOANS AND RECEIVABLES \$'000	ASSETS / (LIABILITIES) AT FAIR VALUE THROUGH THE INCOME STATEMENT \$'000	DERIVATIVES USED FOR HEDGING \$'000	LIABILITIES AT AMORTISED COST \$'000
Cash and bank balances	51,131	-	-	-
Trade receivables	11,512	-	-	-
Sundry receivables	5,421	-	-	-
Derivative financial instruments - assets	-	692	33,910	-
Derivative financial instruments - liabilities	-	(68)	(30,825)	-
Interest bearing liabilities	-	-	-	(558,806)
Capital notes	-	-	-	(56,427)
Payables	-	-	-	(59,129)
Total	68,064	624	3,085	(674,362)

### (f) Capital Risk Management

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

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

The Group primarily manages capital on the basis of gearing ratios measured on the basis of net debt to EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) and interest coverage (EBITDA relative to net interest cost).

The primary ratios were as follows at 30 June:

	2014	2013
Gearing ratio	2.3 x	2.0 x
Interest coverage	6.4 x	6.2 x

These types of ratios are consistent with the financial covenants in the Group's various funding facilities. Actual gearing as at 30 June 2014 was within covenant limits on funding facilities.

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

The Group does not have any externally imposed capital requirements.

## 28 SHARE BASED PAYMENTS

### 2008 Executive Long Term Incentive Plan

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

### 2009 and 2013 Chief Executive Officer Long Term Incentive Plans and 2009 Executive Long Term Incentive Plan

During 2010, the Group implemented a new long term incentive plan for a limited number of senior executives (including the Chief Executive Officer). This plan replaced the previous plans.

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

At the end of the restricted period (3 to 4 years), the Group will pay a bonus to each executive to the extent their performance targets have been met which is sufficient to repay the initial interest free loan associated with the shares which vest. The shares upon which performance targets have been met will then fully vest to the executives. The loan owing on shares upon which performance targets have not been met (the forfeited shares) will be novated from the executives to the trustee company and will be fully repaid by the transfer of the forfeited shares. Performance targets relate to total shareholder return.

As at 30 June 2014, the interest free loan under the CEO Long Term Incentive Plans is \$8,319,048 (2013: \$4,764,895) and under the Executive Long Term Incentive Plan total \$10,183,719 (2013: \$9,109,306).

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

GRANT DATE	EXPIRY DATE	BALANCE AT START OF THE YEAR NUMBER	GRANTED DURING THE YEAR NUMBER	EXERCISED / CONVERTED DURING THE YEAR NUMBER	EXPIRED DURING THE YEAR NUMBER	BALANCE AT END OF THE YEAR NUMBER	EXERCISABLE AT END OF THE YEAR NUMBER
<b>CONSOLIDATED AND PARENT - 2014</b>							
02/09/09	02/09/13	408,263	-	-	(408,263)	-	-
31/08/10	31/08/14	1,082,195	-	(746,714)	(15,578)	319,903	319,903
02/03/11	02/03/15	1,394,291	-	-	(250,000)	1,144,291	1,144,291
31/08/11	31/08/15	705,200	-	-	(35,000)	670,200	-
29/08/12	29/08/16	999,800	-	-	(235,000)	764,800	-
28/08/13	28/08/17	-	2,851,758	-	(285,000)	2,566,758	-
Total		4,589,749	2,851,758	(746,714)	(1,228,841)	5,465,952	1,464,194

### CONSOLIDATED AND PARENT - 2013

01/07/08	01/07/12	78,000	-	-	(78,000)	-	-
02/09/09	02/09/13	902,425	-	(432,162)	(62,000)	408,263	408,263
31/08/10	31/08/14	1,165,945	-	-	(83,750)	1,082,195	-
02/03/11	02/03/15	1,394,291	-	-	-	1,394,291	-
31/08/11	31/08/15	760,200	-	-	(55,000)	705,200	-
29/08/12	29/08/16	-	1,034,800	-	(35,000)	999,800	-
Total		4,300,861	1,034,800	(432,162)	(313,750)	4,589,749	408,263

## 28 SHARE BASED PAYMENTS (continued)

The weighted average remaining contractual life of options and rights outstanding at the end of the period was 2.08 years (2013: 1.83 years).

### Fair Value of Share Rights Granted

The assessed fair value at grant date of the rights granted on 28 August 2013 is \$1.14 (29 August 2012 is \$1.22). This has been calculated using the single index model.

The valuation inputs for the rights granted on 28 August 2013 included:

- (a) rights are granted for no consideration
- (b) exercise price: nil (2013: nil)
- (c) grant date: 28 August 2013 (2013: 29 August 2012)
- (d) expiry date: 28 August 2017 (2013: 29 August 2016)
- (e) share price at valuation date \$3.93 (2013: \$3.84)

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

### Expenses arising from Share-Based Payment Transactions

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

	CONSOLIDATED		PARENT	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Rights issued under Share Rights Plans	1,238	1,393	1,238	1,393
	1,238	1,393	1,238	1,393

## 29 RELATED PARTY TRANSACTIONS

There are no bad or doubtful debts associated with any related party of the Group or parent entity (2013: nil).

### (a) Key Management and Personnel Compensation

Key management compensation for the years ended 30 June 2014 and 2013 is set out below. The key management personnel are all the directors of the company, the Chief Executive Officer and the direct reports to the Chief Executive Officer.



## 29 RELATED PARTY TRANSACTIONS (continued)

	SHORT-TERM BENEFITS \$'000	SHARE-BASED PAYMENTS \$'000	TOTAL \$'000
2014	10,685	1,291	11,976
2013	11,263	1,270	12,533

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

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

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

### (c) Subsidiaries

Interests in subsidiaries are set out in note 30.

### (d) Parent

The majority of the parent entity's transactions are with its subsidiaries including the payment of dividends of \$123.0 million (2013: \$113.5 million) and provision of employee services of \$13.8 million (2013: \$16.0 million) on normal commercial terms.

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

## 30 SUBSIDIARIES

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

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

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING	
			2014 %	2013 %
New Zealand International Convention Centre Limited	New Zealand	Ordinary	100	100
Otago Casinos Limited	New Zealand	Ordinary	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

### 30 SUBSIDIARIES (continued)

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING	
			2014 %	2013 %
SKYCITY Investments Christchurch Limited	New Zealand	Ordinary	100	100
SKYCITY Investments Queenstown Limited	New Zealand	Ordinary	100	100
SKYCITY Management Limited	New Zealand	Ordinary	100	100
SKYCITY Metro Limited	New Zealand	Ordinary	100	100
SKYCITY Wellington Limited	New Zealand	Ordinary	100	100
Toptown Nominees Limited	New Zealand	Ordinary	-	100
SKYCITY Adelaide Pty Limited	Australia	Ordinary	100	100
SKYCITY Australia Finance Pty Limited	Australia	Ordinary	100	100
SKYCITY Australian Limited Partnership	Australia	Ordinary	100	100
SKYCITY Australia Pty Limited	Australia	Ordinary	100	100
SKYCITY Darwin Pty Limited	Australia	Ordinary	100	100
SKYCITY Treasury Australia Pty Limited	Australia	Ordinary	100	100
SKYCITY Investment Holdings Limited	Hong Kong	Ordinary	100	-

### 31 CONTINGENCIES

There are no significant contingences at year end (2013: nil).

### 32 COMMITMENTS

#### Capital Commitments

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

	CONSOLIDATED		PARENT	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Property, plant and equipment	17,084	15,805	-	-

#### Operating Lease Commitments

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

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

	CONSOLIDATED		PARENT	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Within one year	5,561	7,191	-	-
Later than one year but not later than five years	15,813	16,216	-	-
Later than five years	293,627	310,051	-	-
Commitments not recognised in the financial statements	315,001	333,458	-	-

### 32 COMMITMENTS (continued)

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

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

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

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

	CONSOLIDATED		PARENT	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Profit for the year	98,537	127,289	87,291	76,013
Non-controlling interest	-	93	-	-
Depreciation and amortisation	80,769	76,784	5,667	5,593
Finance costs net	48,049	49,263	4,730	4,178
Net (gain) on sale of associate	(934)	(59)	-	-
Current period employee share expense	1,238	1,394	1,238	1,394
Gain on sale of fixed assets	(995)	(947)	-	-
Dividend from subsidiary	-	-	(122,969)	(113,484)
Share of profits of associates not received as dividends	-	(635)	-	-
Change in operating assets and liabilities				
Decrease in receivables and prepayments	1,081	7,135	51	100,351
Increase in inventories	(455)	(540)	-	-
Increase/(decrease) in payables and accruals	14,102	(1,787)	5,077	(71,022)
Increase/(decrease) in deferred tax liability	(11,888)	3,032	384	1,479
Decrease/(increase) in tax receivable	510	4,230	-	-
Capital items included in working capital movements	759	(8,305)	-	-
Subsidiary funding transactions	-	-	(7,593)	(29,754)
Net cash inflow from operating activities	230,773	256,947	(26,124)	(25,252)

### 33 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

#### Dividend

On 13 August 2014, the directors resolved to provide for a final dividend to be paid in respect of the year ended 30 June 2014. The 100% imputed, unfranked dividend of 10 cents per share will be paid on 3 October 2014 to all shareholders on the company's register at the close of business on 19 September 2014.

## RECONCILIATION OF REPORTED RESULTS TO NORMALISED RESULTS

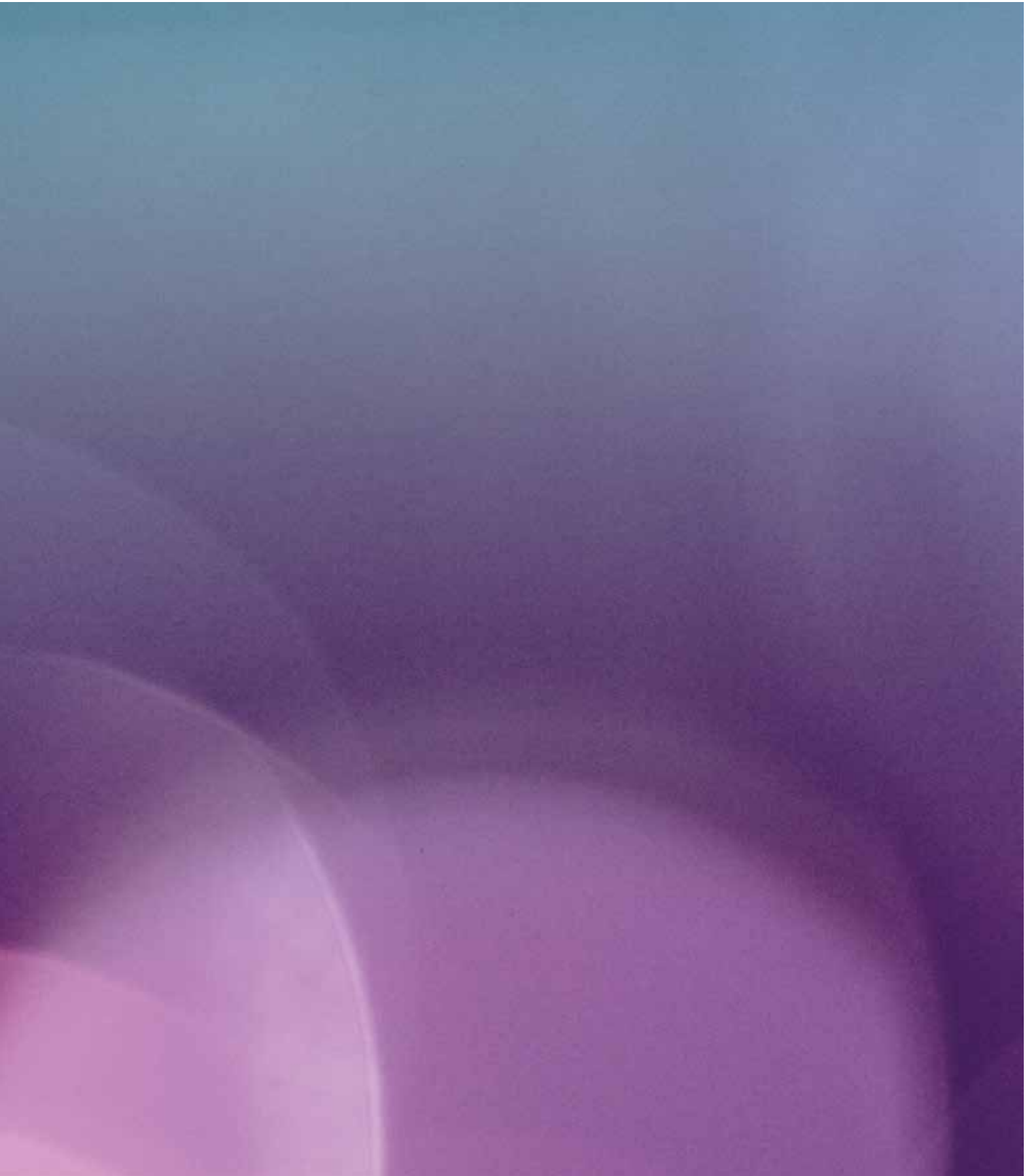
	2014				2013			
	REVENUE \$'000	EBITDA \$'000	EBIT \$'000	NPAT \$'000	REVENUE \$'000	EBITDA \$'000	EBIT \$'000	NPAT \$'000
Reported	902.5	256.5	175.7	98.5	947.8	293.9	217.1	127.3
Adelaide transformation costs	-	4.3	4.3	3.0	-	-	-	-
NZICC	-	0.3	0.3	2.8	-	-	-	2.0
Strategic project and development costs	-	1.4	1.4	1.0	-	1.6	1.6	1.4
Restructuring cost	-	2.3	2.3	1.7	-	1.6	1.6	1.1
Profit from sale of Christchurch	-	-	-	(0.9)	-	-	-	(0.1)
Auckland transformation costs	-	0.9	2.1	1.5	-	-	0.8	0.6
Total adjustments	-	9.2	10.4	9.1	-	3.2	4.0	5.0
<b>Adjusted</b>	<b>902.5</b>	<b>265.7</b>	<b>186.1</b>	<b>107.6</b>	<b>947.8</b>	<b>297.1</b>	<b>221.1</b>	<b>132.3</b>
Provision for IB debtors	-	0.2	0.2	0.2	-	2.4	2.4	1.7
International business at theoretical	24.8	21.7	21.7	15.4	0.2	3.3	3.3	2.3
<b>Normalised Christchurch</b>	<b>927.3</b>	<b>287.6</b>	<b>208.0</b>	<b>123.2</b>	<b>948.0</b>	<b>302.8</b>	<b>226.8</b>	<b>136.3</b>
Results from Christchurch Casino	-	-	-	-	(2.3)	(2.3)	(2.3)	(2.3)
<b>Normalised</b>	<b>927.3</b>	<b>287.6</b>	<b>208.0</b>	<b>123.2</b>	<b>945.7</b>	<b>300.5</b>	<b>224.5</b>	<b>134.0</b>

- SKYCITY's objective of producing normalised financial information is to provide data that is useful to the investment community in understanding the underlying operations of the Group
- Gaming Revenue figures reflect gaming win (inclusive of gaming GST). This facilitates Australasian comparisons and is consistent with the treatment adopted by major Australian casinos
- Non-gaming Revenues are net of GST
- Total Revenues are gaming win plus Non-gaming Revenues
- Key Adjustments are:
  - Adelaide transformation costs - business transformation and launch costs for Adelaide
  - NZICC - Interest on purchase of New Zealand International Convention Centre (NZICC) land bank calculated using the Group's average cost of debt of 6.92% on an average balance of \$52m and other costs specific to this project
  - Strategic project and development costs - The Wharf acquisition, Brisbane, Gold Coast, Philippines and other miscellaneous items
  - Restructuring costs - costs associated with changing the staffing structures designed to create future efficiencies
  - Profit from sale of Christchurch - insurance recoveries from 2011 earthquake damage
  - Auckland transformation costs - business transformation and launch costs related to Auckland facilities
- IB win rate at 0.97% for FY14 (FY13: 1.35%).

Normalisation adjustments have been calculated in a consistent manner in FY14 and FY13.

# CORPORATE GOVERNANCE AND OTHER DISCLOSURES

FOR THE YEAR ENDED 30 JUNE 2014



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 a New Zealand company listed on the Australian and New Zealand stock exchanges, these cornerstone principles, set out below and on the following pages, reflect the Listing Rules and Corporate Governance Best Practice Code of NZX Limited (NZX), the Listing Rules of ASX Limited (ASX), the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council, and the New Zealand Securities Commission's Governance Principles and Guidelines.

SKYCITY's corporate governance framework is fully detailed in the Investor Centre section of the company's website at [www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com).

## 1. ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

SKYCITY's procedures are designed to:

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

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

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

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

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

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

## 2. STRUCTURE THE BOARD TO ADD VALUE

Board effectiveness requires the efficient discharge of the duties imposed 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

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

In order to meet these requirements, the board membership comprises a range of skills and experience to ensure that it has a proper understanding of and competence to deal with the current and emerging issues of the business, to effectively review and challenge the performance of management, and to exercise independent judgement. As at 30 June 2014, the board comprised seven non-executive directors and a managing director. Biographical details of individual directors are set out on pages 22 and 23 of this annual report.

As at the date of this annual report, the board had approved the appointment of an additional non-executive director, Richard Tsiang, to replace Rod McGeoch (who will be retiring from the board before the company's upcoming 2014 Annual Meeting), but his appointment remains subject to approval by regulatory authorities in each of the jurisdictions in which the company operates its gaming activities. Biographical details of Mr Tsiang are set out on page 23 of this annual report.

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

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



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

### Director Independence

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

At its June 2014 meeting, the board reviewed the status of each director in accordance with the independence specification of the NZX Corporate Governance Best Practice Code and taking into account the ASX Independence Guidelines and determined that all current non-executive directors were independent at the balance date. The managing director, Nigel Morrison, was not independent at the balance date by virtue of the fact that he was also the Chief Executive Office of the company.

### Access to Information and Advice

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

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

Senior management is available at and outside each meeting to address queries. Directors are expected to maintain an up-to-date knowledge of the company's business operations and of the industry sectors within which the company operates. Directors

are provided with updates on industry developments, and undertake regular visits to the company's key operations. The board also undertakes periodic educational trips to observe and receive briefings from other companies in the gaming and entertainment industries.

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

### Indemnities and Insurance

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

### Board Committees

The board has four formally appointed committees, being the Audit and Financial Risk Committee, Governance and Nominations Committee, Remuneration and Human Resources Committee and Corporate Social Responsibility Committee. The non-executive directors of the board appoint the chairperson of each committee.

The current members and chairperson of each committee are set out on pages 22 and 23 of this annual report and on the company's website.

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

### Meeting Attendance

The following table shows attendances at board and committee meetings by directors during the year ended 30 June 2014.

Eight board meetings were scheduled during the year.

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

### 3. INTEGRITY, ETHICAL BEHAVIOUR AND DIVERSITY

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

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

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

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

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

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

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

SKYCITY is proud to have a diverse workforce and believes it offers an opportunity to enhance the company's competitive advantage and provide long term sustainable business success. The company is committed to an inclusive workplace that enhances and promotes workplace diversity across the business.

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

The board has set measurable objectives for the 2014/2015 financial year to ensure SKYCITY's commitment to diversity is maintained. SKYCITY will:

- continue to strive to ensure strong female candidates are identified in the recruitment process for all board and senior executive roles;
- implement an annual audit of gender pay parity as a core function of the company's annual remuneration review cycle;
- illustrate the company's commitment to the Rainbow community by achieving Rainbow Tick accreditation; and
- roll-out inclusiveness training to all management.

As at 30 June 2014, the proportion of women at SKYCITY (including amongst directors and officers) was as follows:

TOTAL WORKFORCE	SENIOR EXECUTIVE (CEO'S DIRECT REPORTS AND SITE GENERAL MANAGERS ONLY)	SENIOR EXECUTIVE	BOARD OF DIRECTORS
47%	17%	30%	14%

Comparatively, the proportion of women at SKYCITY (including amongst directors and officers) as at 30 June 2013 was as follows:

TOTAL WORKFORCE	SENIOR EXECUTIVE (CEO'S DIRECT REPORTS AND SITE GENERAL MANAGERS ONLY)	SENIOR EXECUTIVE	BOARD OF DIRECTORS
47%	19%	29%	14%

SKYCITY performed well against the measurable objectives set by the board for the 2013/2014 financial year (as reported in the company's 2013 annual report):

- a full gender pay equity profile was completed on all salaried roles. Whilst there were no issues of material concern, improvements to reporting and processes were made to ensure greater manager awareness of gender pay variations and trends and better auditing of gender pay trends prior to approval of final reviews. These changes, along with enhanced reporting functionality, resulted in SKYCITY being recognised as a Silver Award winner in the 2014 YWCA Equal Pay Awards;
- SKYCITY's internal talent pool of diverse qualified candidates has continued to grow over the past year. The company's recruitment team has expanded its advertising into diverse media, including the Rainbow community. SKYCITY is also working with specialist organisations such as DiverseNZ, Rainbow Tick, the Equal Employment Opportunities (EEO) Trust, the BEST Pasifika Leadership Academy and the UN Global Women's Initiative to form and roll out focused development programmes for under-represented groups at SKYCITY; and
- female candidates were identified and considered for all senior executive appointments during the year.

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

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

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

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

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

The Committee has formally reviewed the independence status of PricewaterhouseCoopers and is satisfied that its objectivity and independence is not compromised as a consequence of non-audit work undertaken for the company.

PricewaterhouseCoopers has confirmed to the Committee that it is not aware of any matters that could affect its independence in performing its duties as auditor of the company.

Fees paid to PricewaterhouseCoopers during the 2013/2014 financial year are set out in note 6 to the financial statements. Fees for audit and tax compliance work in the 2013/2014 financial year represent 58% of total PricewaterhouseCoopers fees.

#### 5. TIMELY AND BALANCED DISCLOSURE

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

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

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

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

#### 6. RESPECT AND FACILITATE THE RIGHTS OF SHAREHOLDERS

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

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

The company achieves this by ensuring that information about the company is available to all shareholders by means of personal and/or website communication and through encouraging shareholders to attend general meetings of the company and making appropriate time available at such meetings for shareholders to ask questions of directors and management. Representatives of the company's external auditors are also invited to attend the company's annual meetings to answer any shareholder questions concerning their audit and external audit report.

#### 7. RECOGNISE AND MANAGE RISK

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

SKYCITY maintains an independent, centrally-managed internal audit function which evaluates and reports on financial, operational and management controls across the Group. Management is required to report to the Audit and Financial Risk Committee and board on the effectiveness of the company's management of its material business risks, with the most recent report being provided in August 2014.

The Audit and Financial Risk Committee approves the internal audit programme, with results and performance of the control environments regularly reviewed by both the committee and the external auditors. The Chief Executive Officer and the Chief Financial Officer are required to confirm in writing to the Audit and Financial Risk Committee that the statement in respect of the

integrity of the company's financial statements referred to above is founded on a sound system of risk management and internal compliance and control which implements the policies of the board, and that the company's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects. The most recent confirmations were provided by the Chief Executive Officer and the Acting Chief Financial Officer in August 2014.

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

## 8. PERFORMANCE EVALUATION

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

The performance review of the board for 2013 was conducted by the chairman of the board (Chris Moller) and completed in April 2014. The review involved a formal response/feedback process with a one-on-one meeting involving the chairman and each director individually.

The board undertakes the performance review of the Chief Executive Officer and those reporting directly to that position in accordance with the company's performance review procedures, with the last review conducted in August 2014.

## 9. REMUNERATE FAIRLY AND RESPONSIBLY

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

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

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

- to align remuneration for senior executives with the interests of shareholders.

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

### Non-Executive Director Remuneration

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

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

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

To continue 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, it is proposed to seek approval from shareholders to increase the maximum total remuneration amount for the non-executive directors to \$1,365,000 (plus GST, if any) at the company's upcoming Annual Meeting in October 2014. In seeking such approval, the board has considered a paper prepared by PricewaterhouseCoopers for the Remuneration and Human Resources Committee – the purpose of which was to benchmark fees paid by SKYCITY to non-executive directors with a relevant comparator group of Australian/New Zealand large listed companies. If approved, it is proposed that:

- the annual fees be \$275,000 for the chairperson of the board, \$157,500 for the deputy chairperson of the board and \$126,000 each for other non-executive directors; and
- the fee for the chair of the Remuneration and Human Resources Committee be increased to \$35,000 per annum (in line with the fee for the chair of the Audit and Financial Risk Committee), with no change to the fees for each ordinary member of the Audit and Financial Risk Committee, Remuneration and Human Resources Committee or Corporate Social Responsibility Committee or for chairing either the Audit and Financial Risk Committee or Corporate Social Responsibility Committee.

For those directors who were in office on or before 1 May 2004, SKYCITY's constitution permits the company, at the discretion of

the board, to make a retirement payment to a director (or to his or her dependants), provided that the total amount of the payment does not exceed the total remuneration of the director in his or her capacity as a director in any three years chosen by the company. Retirement allowances for SKYCITY directors were discontinued at 30 June 2004 with retirement allowances accrued to that date frozen as to amount. Rod McGeoch is now the only director eligible for the retirement allowance, and will be entitled to \$22,913.24. Retirement allowances accrued as at 30 June 2004 do not carry any interest entitlement between 1 July 2004 and the date of payment.

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

### **Chief Executive Officer Remuneration**

#### ***Employment Agreement***

Nigel Morrison has an employment agreement (which is available in the Investor Centre section of the company's website at [www.skycityentertainment.com](http://www.skycityentertainment.com)) as Chief Executive Officer that commenced on 1 March 2008. The agreement is not a fixed term contract. The terms of the agreement reflect standard conditions that are appropriate for a senior executive of a listed Australasian company.

Mr Morrison's remuneration package is a combination of fixed salary plus incentive payments for short and long term performance.

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

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

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

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

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

Effective from 18 October 2013, in the event of termination of Mr Morrison's employment due to medical incapacity, permanent disability or death, any unvested LTI entitlements under the 2013 Chief Executive Officer Long Term Incentive Plan referred to below will vest to Mr Morrison on a proportionate straight-line basis (calculated taking into account the length of time from the acquisition of those LTI entitlements until the cessation of Mr Morrison's employment as a proportion of the restrictive period referred to below, excluding any notice period where the company elects to pay remuneration in lieu of notice) and will not be subject to satisfaction of the applicable performance hurdles.

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

There is no redundancy entitlement under the agreement.

#### ***Long Term Incentive Plans***

The company operates two LTI plans in favour of Mr Morrison – the 2009 Chief Executive Officer Long Term Incentive Plan approved by shareholders at the company's 2009 Annual Meeting and the 2013 Chief Executive Officer Long Term Incentive Plan approved by shareholders at the company's 2013 Annual Meeting (together the Plans). Under the Plans:

- Mr Morrison is provided with financial assistance by way of an interest-free loan by a subsidiary of the company to acquire shares in the company.
- A trustee holds legal title to the relevant shares on behalf of Mr Morrison for a restrictive period of at least three years until certain performance hurdles are met. The performance hurdles involve comparison of the Total Shareholder Return (TSR) achieved by SKYCITY against the shareholder returns achieved by a group of comparable Australasian companies (comparator group), and by the companies whose securities are in the NZSX50 index (index group).
- Except as amended by a resolution approved at the company's 2013 Annual Meeting, for the shares to vest in Mr Morrison, the company must achieve a TSR equal to or greater than the average of the comparator and index groups' TSRs. The number of shares that will vest depend on where the SKYCITY TSR is relative to the Average Medium TSR (at which point 50% of the shares vest) and the average of the TSRs representing the 75th percentiles of the TSRs achieved by the comparator group and the index group (at which point 100% of the shares vest). In addition, the board has discretion to determine that up to 25% of the shares will vest if the company's TSR for the relevant period does not exceed the Average Median TSR, but exceeds

one or other of the TSRs representing the 50th percentile of TSRs of the members of the comparator group and of the index group.

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

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

#### Remuneration

During the 2013/2014 financial year Mr Morrison received a base salary of \$1,850,000 and a performance-related STI payment of \$1,387,313 relating to the prior 2012/2013 financial year. The amount of the STI payment was determined by assessing the company's NPAT financial performance over the 2012/2013 financial year against budget and Mr Morrison's achievement against a number of specific strategic, non-financial performance targets, which had been set by the board at the start of the financial year.

In relation to the 2013/2014 financial year, the board assessed that Mr Morrison was not eligible for his financial STI, but that he had achieved a number of specific strategic, non-financial targets and, in addition, achieved an extension to the Auckland casino venue licence, tax certainty in New Zealand and a number of critically important regulatory reforms in South Australia. Accordingly, the board resolved unanimously to award Mr Morrison a bonus of \$975,000, which was paid in August 2014.

#### SKYCITY Employee Remuneration

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

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

#### Short Term Incentive Arrangements

##### Senior Executive STI

To drive outstanding company and individual performance, SKYCITY operates a Short Term Incentive (STI) Plan for the senior executive group. For each individual, a percentage of their STI target is linked to the achievement of company financial targets with the remaining component dependent on the achievement of individual, largely non-financial strategic objectives. As was the case with the Chief Executive Officer, the lower than budget profit performance for the 2013/2014 financial year resulted in a number of executives not achieving their financial STI targets.

For the year ended 30 June 2014, a total of \$1,158,002 was paid under the Senior Executive STI Plan to eleven executives – an amount equivalent to 20.5% of combined base salary for this group.

##### Salaried Employee STI and Individual Bonus Plan

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

Payments under the Salaried STI Plan have a minimum trigger point based on company and business unit financial targets and increase according to the degree by which the company performs relative to these financial targets. For the year ended 30 June 2014, 311 salaried staff participated in the Salaried STI Plan. Based on achievement of individual and financial targets, 290 staff received an average STI payment of 9% of their fixed salaries.

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

In total, 444 SKYCITY salaried personnel were paid incentives totalling \$3,112,587 under the Salaried STI and IB Plans.

The board has approved the continuation of the Senior Executive and Salaried STI Plans and the IB Plan for the 2014/2015 financial year with minimal changes.

#### Long Term Incentive Arrangements

A Long Term Incentive Plan (Executive LTI Plan) for senior executives was introduced in 2009 for the 2009/2010 financial year and subsequent years, which is similar to the 2009 Chief Executive Officer Long Term Incentive Plan approved by shareholders for the Chief Executive Officer at the company's 2009 Annual Meeting.

Under the Executive LTI Plan, selected senior executives are provided with financial assistance by way of an interest-free loan by a subsidiary of the company to acquire shares in the company.

A trustee holds legal title to the relevant shares on behalf of those senior executives for a restrictive period of at least three years until certain performance hurdles are met. The performance hurdles involve comparison of the Total Shareholder Return (TSR) achieved by SKYCITY against the shareholder returns achieved by a group of comparable Australasian companies (comparator group), and by the companies whose securities are in the NZSX50 index (index group).

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

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

Details of the shares issued under the Executive LTI Plan and outstanding as at 15 August 2014 are set out on page 89 of this annual report.

## 10. RECOGNISE THE OBLIGATIONS TO ALL STAKEHOLDERS

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

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

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

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

SKYCITY confirms that other than as set out below it has complied with the NZX Corporate Governance Best Practice Code and the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations during the 2013/2014 financial year.

The company does not make available to external parties certain internal policies and procedures. SKYCITY believes that the board charter and the comprehensive references to governance in this annual report and on the company's website provide good disclosure of the company's internal processes and mechanisms and that the underlying intention of the ASX Corporate Governance Council's recommendations on reporting of internal mechanisms have been met.



**TWENTY LARGEST SHAREHOLDERS AS AT 15 AUGUST 2014**

	NUMBER OF SHARES	% OF SHARES
1. HSBC Nominees (New Zealand) Limited A/C State Street	47,990,641	8.25%
2. JP Morgan Chase Bank NA	40,794,473	7.01%
3. JP Morgan Nominees Australia Limited	39,567,297	6.80%
4. National Nominees Limited	38,689,837	6.65%
5. HSBC Nominees (New Zealand) Limited	35,779,705	6.15%
6. HSBC Custody Nominees (Australia) Limited	28,939,040	4.97%
7. Citibank Nominees (New Zealand) Limited	26,675,935	4.58%
8. National Nominees New Zealand Limited	22,280,288	3.83%
9. RBC Investor Services Australia Nominees Pty Limited	18,013,407	3.10%
10. Accident Compensation Corporation	15,055,638	2.59%
11. New Zealand Superannuation Fund Nominees Limited	10,337,946	1.78%
12. BNP Paribas Nominees (NZ) Limited	10,333,771	1.78%
13. BNP Paribas Noms Pty Ltd	9,429,557	1.62%
14. Private Nominees Limited	8,116,698	1.39%
15. Citicorp Nominees Pty Limited	7,760,196	1.33%
16. ANZ Wholesale Australasian Share Fund	7,144,063	1.23%
17. Public Trust	5,953,485	1.02%
18. Citicorp Nominees Pty Limited	5,444,395	0.94%
19. Masfen Securities Limited	4,956,260	0.85%
20. RBC Investor Services Australia Nominees Pty Limited	4,769,164	0.82%
<b>Total</b>	<b>388,031,796</b>	<b>66.66%</b>

Total shares on issue as at 15 August 2014 were 582,088,094 of which 6,776,574 were held in aggregate by Public Trust on behalf of eligible and future participants pursuant to the 2009 and 2013 Chief Executive Officer Long Term Incentive Plans and Executive Long Term Incentive Plan. No shares were held by the company directly as treasury stock.

**DISTRIBUTION OF ORDINARY SHARES AND REGISTERED SHAREHOLDINGS AS AT 15 AUGUST 2014**

	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES
1 - 1,000	3,866	1,545,657
1,001 - 5,000	9,237	25,441,738
5,001 - 10,000	3,469	24,626,989
10,001 - 100,000	3,038	69,387,210
> 100,000	163	461,086,500
<b>Total</b>	<b>19,773</b>	<b>582,088,094</b>

As at 15 August 2014, there were 1,146 shareholders (with a total of 65,065 shares) holding less than a marketable parcel of shares under the ASX Listing Rules, based on the closing share price of A\$3.45. The ASX Listing Rules define a marketable parcel of shares as a parcel of shares of not less than A\$500.

**SUBSTANTIAL SECURITY HOLDERS**

In accordance with section 26(1) of the Securities Markets Act 1988, the following persons had given notice as at 15 August 2014 that they were substantial security holders in the company and held a relevant interest in the number of ordinary shares shown below.

	DATE OF SUBSTANTIAL SECURITY NOTICE	RELEVANT INTEREST IN NUMBER OF SHARES	% OF SHARES HELD AT DATE OF NOTICE
BlackRock Group (BlackRock Inc. and certain subsidiaries)	25 June 2014	46,914,904	8.06%

No further substantial security holder notices had been received as at 8 September 2014.

## REMUNERATION OF DIRECTORS

Remuneration paid to, and other benefits received by, non-executive directors for services in their capacity as directors of SKYCITY Entertainment Group Limited during the year ended 30 June 2014 are as listed below:

	BOARD AND COMMITTEE FEES	OTHER
Chris Moller (Chairman)	\$250,000	
Bruce Carter (Deputy Chairman)	\$185,000	
Rod McGeoch	\$135,000	
Brent Harman	\$145,000	\$2,449.20 <sup>(1)</sup>
Peter Cullinane	\$145,000	
Sue Suckling	\$135,000	\$705.45 <sup>(1)</sup>
Richard Didsbury	\$135,000	

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

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

In addition to the amounts above:

- SKYCITY meets the expenses incurred by directors in relation to company matters, which are incidental to the performance of their duties, including travel; and
- SKYCITY paid \$2,400 (plus GST) and \$4,800 (plus GST) to Brent Harman and Richard Didsbury respectively during the year ended 30 June 2014 in connection with consultancy services provided by each of those directors to SKYCITY in relation to the New Zealand International Convention Centre, which were provided as additional services outside of their capacity as a director of the company.

No other non-executive director of the Group or parent company has, since the end of the financial year, received or become entitled to receive a benefit other than director's fees for the 2013/2014 financial year, reimbursement of expenses incurred in relation to company matters, by way of health insurance or as is disclosed elsewhere in this annual report.

## EMPLOYEE REMUNERATION

The numbers of employees or former employees of the company and its subsidiaries, not being directors of the company, who received remuneration and other benefits in their capacity as employees, the value of which was in excess of \$100,000 and was paid to those employees during the financial year ended 30 June 2014, are listed below.

Remuneration includes salary, short term cash bonuses and, where applicable, health insurance premiums and the value of share rights and shares expensed during the year ended 30 June 2014. Remuneration shown below also includes settlement payments and payments in lieu of notice with respect to certain employees upon their departure from the company.

REMUNERATION	EMPLOYEES
\$100,000-\$109,999	40
\$110,000-\$119,999	31
\$120,000-\$129,999	22
\$130,000-\$139,999	21
\$140,000-\$149,999	12
\$150,000-\$159,999	8
\$160,000-\$169,999	6
\$170,000-\$179,999	8
\$180,000-\$189,999	4
\$190,000-\$199,999	10
\$200,000-\$209,999	1
\$210,000-\$219,999	1
\$220,000-\$229,999	3
\$230,000-\$239,999	2
\$240,000-\$249,999	1
\$250,000-\$259,999	1
\$260,000-\$269,999	2
\$290,000-\$299,999	1
\$310,000-\$319,999	2
\$330,000-\$339,999	1
\$350,000-\$359,999	2
\$410,000-\$419,999	1
\$440,000-\$449,999	1
\$480,000-\$489,999	1
\$490,000-\$499,999	1
\$540,000-\$549,999	1
\$600,000-\$609,999	2
\$650,000-\$659,999	2
\$670,000-\$679,999	1
\$690,000-\$699,999	1
\$760,000-\$769,999	1
\$790,000-\$799,999	2
\$920,000-\$929,999	1
<b>Total</b>	<b>194</b>

**INTERESTS REGISTER****Disclosure of Directors' Interests**

Section 140(1) of the New Zealand Companies Act 1993 requires a director of a company to disclose certain interests. Under subsection (2) a director can make disclosure by giving a general notice in writing to the company of a position held by a director in another named company or entity. The following are particulars included in the company's Interests Register as at 30 June 2014 (notices given by directors during the year ended 30 June 2014 are marked with an asterisk):

**Chris Moller (Chairman)**

Cricket World Cup 2015 Ltd	Observer*
Meridian Energy Limited	Chair
New Zealand Transport Agency	Chair
Westpac New Zealand Limited	Director

**Bruce Carter (Deputy Chairman)**

ASC Pty Limited	Chair
Badge Management Pty Limited	Director
Bank of Queensland Limited and certain subsidiaries	Director*
BBRC Funds Management Pty Ltd	Director*
Cobbadah Pty Limited	Director
Eudunda Farmers Limited	Director
Ferrier Hodgson	Consultant
Fortis Ago Pty Ltd	Director*
Genesee & Wyoming Australia Pty Limited	Director
RSC Nominees Pty Limited	Director
Stichting Administratiekantoor Manadel (Holland)	Director*
Territory Insurance Office	Chair

**Rod McGeoch**

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

**Brent Harman**

Harman Consulting Limited	Director and Shareholder
Harman Investments Limited	Director and Shareholder

**Peter Cullinane**

APN News & Media Limited	Director*
Assignment Group New Zealand Limited	Director
Lewis Road Butters Limited	Director and Shareholder
Lewis Road Creamery Limited	Director and Shareholder
Low Flying Kiwis Limited	Director and Shareholder
STW Communications Group Limited	Director and Shareholder

**Sue Suckling**

Acemark Holdings Limited	Managing Director
Barker Fruit Processors and certain subsidiaries	Chair
Callaghan Innovation	Chair
ECL Group Limited	Chair
Jacobsen Pacific Limited	Chair
New Zealand Health Innovation Hub	Director
New Zealand Qualifications Authority	Chair
Oxford Clinic Hospital Limited	Director
Oxford Health Group Limited	Director
Restaurant Brands New Zealand Limited	Director
Takeovers Panel	Member

**Richard Didsbury**

Auckland International Airport Limited	Director
Brick Bay Wines Limited	Director
Brick Bay Development Trust	Trustee
Brick Bay Investments Trust	Trustee
Brick Bay Trustee Limited	Director
Committee for Auckland Limited	Chair
Hobsonville Land Company Limited	Director
Kiwi Income Properties Limited	Director
Whisper Cove Heights Limited	Director

The following details included in the Interests Register as at 30 June 2013, or entered during the year ended 30 June 2014, have been removed during the year ended 30 June 2014:

- Chris Moller is no longer Chair of New Zealand Cricket (Inc.) or a director of ICC Development (International) Limited or the International Cricket Council.
- Rod McGeoch is no longer a consultant to the G. R. Media Holdings Limited Banking Syndicate.
- Bruce Carter is no longer a director of Invest in South Australia.
- Peter Cullinane is no longer a director of The Antipodes Water Company Limited.

## DIRECTORS' AND OFFICERS' INDEMNITIES

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

## DISCLOSURE OF DIRECTORS' INTERESTS IN SHARE TRANSACTIONS

Directors disclosed, pursuant to section 148 of the New Zealand Companies Act 1993, the following acquisitions and disposals of relevant interests in SKYCITY shares during the period to 30 June 2014:

	DATE OF ACQUISITION/ DISPOSAL DURING PERIOD	CONSIDERATION	SHARES ACQUIRED/ (DISPOSED)
Nigel Morrison	8 November 2013	NZ\$5,000,000	1,279,258 <sup>(1)</sup>

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

## DISCLOSURE OF DIRECTORS' INTERESTS IN SHARES AND CAPITAL NOTES

Directors disclosed the following relevant interests in SKYCITY shares as at 30 June 2014:

	SHARES BENEFICIALLY HELD
Chris Moller (Chairman)	61,915 <sup>(1)</sup>
Bruce Carter (Deputy Chairman)	42,477 <sup>(2)</sup>
Rod McGeoch	69,091 <sup>(3)</sup>
Brent Harman	30,000 <sup>(4)</sup>
	10,000 <sup>(5)</sup>
Peter Cullinane	29,250
Sue Suckling	30,714
Richard Didsbury	5,000
Nigel Morrison	1,112,089
	82,233 <sup>(6)</sup>
	2,502,492 <sup>(7)</sup>

(1) Shares held by FNZ Custodians Limited.

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

(3) Shares held by McGeoch Holdings Pty Limited.

(4) Shares held by Forbar Nominees Limited.

(5) Shares held by Investment Custodial Services Limited.

(6) Shares held by Perpetual Limited.

(7) Shares acquired under the 2009 and 2013 Chief Executive Officer Long Term Incentive Plans and held by Public Trust.

**CAPITAL NOTES**

In May 2000, SKYCITY Entertainment Group Limited issued 150 million unsecured subordinated capital notes for a five year term at an issue price of \$1.00. In May 2005, the capital notes were reissued for a new term of five years at a fixed interest rate of 8.0% per annum. In May 2010, the capital notes were reissued for a further term of five years at a fixed interest rate of 7.25% per annum. For further information refer note 20 of the financial statements.

As at 15 August 2014, SKYCITY was the holder of 73,549,500 capital notes as treasury stock. The capital notes held by SKYCITY are not included in the table below.

**TWENTY LARGEST CAPITAL NOTEHOLDERS AS AT 15 AUGUST 2014**

	NUMBER OF CAPITAL NOTES	% OF CAPITAL NOTES
1. FNZ Custodians Limited	7,912,000	5.28%
2. Masfen Securities Limited	3,000,000	2.00%
3. Custodial Services Limited	2,793,000	1.86%
4. Forsyth Barr Custodians Limited	2,053,000	1.37%
5. Custodial Services Limited	1,274,000	0.85%
6. FNZ Custodians Limited	1,273,000	0.85%
7. Custodial Services Limited	1,107,000	0.74%
8. Forsyth Barr Custodians Limited	1,076,000	0.72%
9. Investment Custodial Services Limited	1,044,000	0.70%
10. Custodial Services Limited	882,000	0.59%
11. Forsyth Barr Custodians Limited	595,000	0.40%
12. Custodial Services Limited	579,000	0.39%
13. Citibank Nominees (New Zealand) Limited - NZCSD	550,000	0.37%
14. Invercargill Licensing Trust	500,000	0.33%
15. Forsyth Barr Custodians Limited	387,500	0.26%
16. Custodial Services Limited	305,000	0.20%
17. Frimley Foundation	300,000	0.20%
18. HB Williams Turanga Trust	300,000	0.20%
19. Collin Francis McGregor Post & Christopher Dan Williams	300,000	0.20%
20. Custodial Services Limited	225,000	0.15%
<b>Total</b>	<b>26,455,500</b>	<b>17.64%</b>

**DISTRIBUTION OF CAPITAL NOTEHOLDINGS AS AT 15 AUGUST 2014**

	NUMBER OF NOTEHOLDERS	NUMBER OF CAPITAL NOTES
1 - 1,000	1	250
1,001 - 5,000	236	1,180,000
5,001 - 10,000	442	4,137,500
10,001 - 100,000	1,114	37,981,250
> 100,000	64	106,701,000
<b>Total</b>	<b>1,857</b>	<b>150,000,000</b>

## STOCK EXCHANGE LISTINGS

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

SKYCITY Entertainment Group Limited has been designated as 'Non-Standard' by the NZX due to the nature of the company's constitution. In particular, the constitution places restrictions on the transfer of shares in the company in certain circumstances and provides that votes and other rights attached to shares may be disregarded and shares may be sold if these restrictions are breached, as more particularly described on pages 89 and 90 of this annual report.

## SKYCITY ENTERTAINMENT GROUP LIMITED

The following persons held office as directors of SKYCITY Entertainment Group Limited as at the end of the 2013/2014 financial year, being 30 June 2014: Chris Moller (Chairman), Bruce Carter (Deputy Chairman), Rod McGeoch, Brent Harman, Peter Cullinane, Sue Suckling, Richard Didsbury and Nigel Morrison.

## SUBSIDIARY COMPANIES

### Subsidiary Company Directorships

The following persons held office as directors of subsidiaries of SKYCITY Entertainment Group Limited as at the end of the 2013/2014 financial year, being 30 June 2014:

- Directors: Nigel Morrison and Peter Treacy:

New Zealand International Convention Centre Limited  
 Otago Casinos Limited  
 Planet Hollywood (Civic Centre) Limited  
 Queenstown Casinos Limited  
 SKYCITY Action Management Limited  
 SKYCITY Auckland Holdings Limited  
 SKYCITY Auckland Limited  
 SKYCITY Casino Management Limited  
 SKYCITY Hamilton Limited  
 SKYCITY International Holdings Limited  
 SKYCITY Investment Holdings Limited  
 SKYCITY Investments Australia Limited  
 SKYCITY Investments Christchurch Limited  
 SKYCITY Investments Queenstown Limited  
 SKYCITY Management Limited  
 SKYCITY Metro Limited  
 SKYCITY Wellington Limited  
 Sky Tower Limited

- Directors: David Christian, Nigel Morrison, Peter Treacy and Rod McGeoch:

SKYCITY Adelaide Pty Limited  
 SKYCITY Australia Finance Pty Limited  
 SKYCITY Australia Pty Limited

- Directors: Nigel Morrison, Peter Treacy and Rod McGeoch:

SKYCITY Treasury Australia Pty Limited

- Directors: Nigel Morrison, Peter Treacy and Brad Morgan:

SKYCITY Darwin Pty Limited

### Non-wholly Owned Company Directorships

At 30 June 2014, SKYCITY also had an interest in, and was represented by SKYCITY executives on the boards of, the companies listed below:

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

## WAIVERS FROM THE NEW ZEALAND AND AUSTRALIAN STOCK EXCHANGES

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

- on 9 February 2011, NZX granted SKYCITY a waiver from NZX Listing Rule 7.11.1 (which requires allotment to occur within five business days following the latest date on which applications for securities close) in relation to the allotment of shares pursuant to the company's dividend reinvestment plan; and
- on 19 August 2013, ASX granted SKYCITY a waiver from ASX Listing Rule 10.15.2 (which requires a company's notice of annual meeting to state the maximum number of shares that may be acquired by a person for whom approval is required) in relation to a resolution contained in the company's 2013 notice of annual meeting seeking shareholder approval pursuant to ASX Listing Rule 10.14 for the grant of shares under the 2013 Chief Executive Long Term Incentive Plan to Nigel Morrison.

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

## LONG TERM INCENTIVE SHARES

As at 15 August 2014, shares on issue were as detailed below:

- 2,502,492 shares issued under the 2009 and 2013 Chief Executive Officer Long Term Incentive Plans (approved by shareholders at the 2009 and 2013 Annual Meetings respectively) and held by Public Trust on behalf of the Chief Executive Officer. The shares have been purchased by Mr Morrison under the respective Plan with the assistance of interest-free loans and are held on behalf of Mr Morrison by Public Trust for a restrictive period. The shares vest in Mr Morrison only when performance hurdles set by the board of directors are met; and
- 2,518,460 shares issued under the Executive Long Term Incentive Plan (initially approved by directors in September 2009) and held by Public Trust on behalf of 21 participants. The shares have been purchased by the participants under the Plan with the assistance of interest-free loans and are held on behalf of the participants by Public Trust for a restrictive period. The relevant shares vest in a participant only when performance hurdles set by the board of directors are met.

## LIMITATIONS ON ACQUISITIONS OF ORDINARY SHARES

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

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

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

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

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

## TRANSFER OF SHARES

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

- holding more than 5% of the shares in SKYCITY; or
- increasing their combined holding further beyond 5% if:
  - they already hold more than 5% of the shares in SKYCITY; and
  - the transferee has not been approved by the relevant regulatory authority as an associated casino person of any casino licence holder,
- then the votes attaching to all shares held by the transferee and the persons associated with that transferee are suspended unless and until either:
  - each regulatory authority advises that approval is not needed; or
  - any regulatory authority which determines that its approval is required approves the transferee, together with the persons associated with that transferee, as an associated casino person of any applicable casino licence holder; or
  - the board of the company is satisfied that registration of the proposed transfer will not prejudice any casino licence; or



- the transferee and the persons associated with that transferee dispose of such number of SKYCITY shares as will result in their combined holding falling below 5% or, if the regulatory authorities approve in respect of the transferee and the persons associated with that transferee a higher percentage, the lowest such percentage approved by the regulatory authorities.

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

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

## DONATIONS

Donations of \$17,482 were made by the company during the 12 month period ended 30 June 2014 (\$24,978 during the 12 months ended 30 June 2013).

## REVIEW OF OPERATIONS AND ACTIVITIES

A detailed review of the operations and activities of the company for the year ended 30 June 2014 is set out in the Chairman and Chief Executive Officer's Report on pages 4 to 17 of this annual report.

## OTHER LEGISLATION/REQUIREMENTS

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

Other than the provisions noted on pages 89 and 90 of this annual report, the only significant restrictions or limitations in relation to the acquisition of securities are those imposed by New Zealand laws relating to takeover, overseas investment and competition.

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

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

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

## OTHER DISCLOSURES

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

From time to time, the Public Trust acquires shares in the company on-market for the purposes of the Chief Executive Officer Long Term Incentive Plans and Executive Long Term Incentive Plan as referred to above. In addition, SKYCITY (or a nominee or agent of SKYCITY) may, from time to time, acquire existing shares in the company to satisfy its obligations to participating shareholders under the company's Dividend Reinvestment Plan established in February 2011. As at 15 August 2014, the company does not have in place an on-market share buy-back programme.

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

There are no material differences between NZX Appendix 1 and ASX Appendix 4E issued by SKYCITY Entertainment Group Limited on 13 August 2014 in respect of the year ended 30 June 2014 and this annual report.

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

In respect of the year ended 30 June 2014, a final dividend of 10 cents per share will be paid on 3 October 2014 to all shareholders on the company's register at the close of business on 19 September 2014. The company's Dividend Reinvestment Plan (established in February 2011) will apply to this final dividend with a 2% discount. The closing date for electing to participate in the Dividend Reinvestment Plan for this final dividend is 5.00pm (New Zealand time) on 22 September 2014. Full details of the company's Dividend Reinvestment Plan are available in the Investor Centre section of the company's website at [www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com).

## REGISTERED OFFICE

### SKYCITY

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

Telephone:  
+64 9 363 6000  
Facsimile:  
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Email: [sceginfo@skycity.co.nz](mailto:sceginfo@skycity.co.nz)  
[www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com)

### Registered Office in Australia

**c/o Finlaysons**  
81 Flinders Street  
GPO Box 1244  
Adelaide  
South Australia

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

## SOLICITORS

**Russell McVeagh**  
Vero Centre  
48 Shortland Street  
PO Box 8  
Auckland

**Minter Ellison  
Rudd Watts**  
Lumley Centre  
88 Shortland Street  
PO Box 3798  
Auckland

**Bell Gully  
Vero Centre**  
48 Shortland Street  
PO Box 4199  
Auckland

**Finlaysons**  
81 Flinders Street  
GPO Box 1244  
Adelaide  
South Australia

## AUDITOR

**PricewaterhouseCoopers**  
188 Quay Street  
Private Bag 92162  
Auckland

## REGISTRARS

### NEW ZEALAND

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

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Pty Limited**  
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+61 2 8234 5000  
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## BANKERS

**ANZ National Bank**  
**Commonwealth Bank of Australia**  
**Bank of New Zealand**  
**Westpac Banking Corporation**

## CAPITAL NOTES TRUSTEE

**The New Zealand  
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Company Limited**  
Level 13  
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