

# ANNUAL REPORT

YEAR ENDED 30 JUNE 2017





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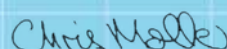
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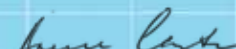
## ANNUAL MEETING

The 2017 annual meeting of SKYCITY Entertainment Group Limited will be held on Friday 20 October 2017 in the SKYCITY Theatre, Level 3, SKYCITY Auckland, Corner of Wellesley and Hobson Streets, Auckland, commencing at 10.00am (New Zealand time).

This annual report is dated 9 August 2017 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).

# CHAIRMAN'S REVIEW

## INTRODUCTION

In my final annual report as Chairman of SKYCITY it is appropriate to use the opportunity to reflect on some of the company's accomplishments in recent times and acknowledge the role played by the directors in delivering those achievements.

## CHIEF EXECUTIVE OFFICER

During the year, the directors were delighted to secure the services of Graeme Stephens as Chief Executive Officer. Graeme was previously Chief Executive Officer of publicly listed South African based company

Sun International, a gaming and hospitality group operating in six countries and employing more than 13,000 people. Like SKYCITY, its core business is integrated entertainment complexes with casinos generating the bulk of the revenue from long-term licences.

Graeme has 25 years of experience in the gaming and hotel industries. He is a Chartered Accountant by training and has been involved in investment banking in London and Johannesburg. Educated in South Africa, Graeme was born in Zimbabwe.



**CHRIS MOLLER**  
CHAIRMAN



The appointment of a Chief Executive Officer is the single most important decision made by any board. Graeme has already impressed the SKYCITY directors with the contribution he is making to the company and the board is very confident that he will prove to shareholders he is the right person to lead SKYCITY into the future.

Given the importance of the Chief Executive Officer appointment, I want to acknowledge the significant contribution made by Brent Harman, Chairman of our Remuneration and Human Resources Committee, in leading the global search which culminated in this appointment. Through his intellect and dedication to the cause, Brent makes a highly valuable contribution to SKYCITY and as the company pilots its strategic way forward, his deep knowledge and institutional knowledge of the company will provide a critical balance to the decision-making process.

Further I thank and acknowledge John Mortensen for his efforts as Interim Chief Executive Officer ahead of Graeme taking up his position in April 2017.

### TRANSFORMATIONAL PROJECTS AND LICENCE EXCLUSIVITY

The New Zealand International Convention Centre (NZICC), when completed, will further enhance the transformation of the SKYCITY entertainment precinct in Auckland. This follows the already-significant changes to Federal Street since 2011 to create a key entertainment hub and tourism destination for the city. Importantly, the extension of the Auckland casino licence to 2048 as part of the NZICC transaction provides the company with certainty of tenure in respect of our key gaming asset.

Despite recent challenges faced by the builder, SKYCITY is confident of its contractual position and the progress of this vital project is closely monitored by a committee of the SKYCITY board, which actively draws on the extensive property and development capability of directors Richard Didsbury and Murray Jordan.

The approval of the long-awaited Adelaide Casino and hotel development was announced on 26 July 2017 following completion of negotiations regarding gaming concessions

with the South Australian Government.

The SKYCITY board believes this is an exciting and truly transformational project for the company as it is positioned in the middle of the Riverbank Precinct in the heart of Adelaide, alongside the new Adelaide Convention Centre and the Festival Hall. It is also across the Torrens River from the magnificent Adelaide Oval, with its walking bridge landing virtually on our doorstep. The directors are confident the precinct will in due course become Adelaide's entertainment hub.

Adelaide-based Deputy Chairman Bruce Carter was instrumental over several years in bringing this project to fruition and I am very grateful to him and our board committee, which includes Richard Didsbury, Jennifer Owen and Murray Jordan.

### STRATEGIC REFRESH

The SKYCITY board has tasked Graeme with the top priority of reviewing SKYCITY's strategic direction to sustain a superior performance in these fast-changing times. The directors are conscious of trends and the future impact of millennial expectations such as the increased digitisation of online gaming and the advent of e-sports and skills-based gaming machines. During the year, the board visited Silicon Valley with management, including Graeme, to acquaint itself first-hand with the potential changes likely to impact the gaming and entertainment sectors in the coming years.

Much of the drive for these initiatives is championed by director Sue Suckling and stems from her exposure to digital disruption and resultant opportunities as the Chair of Callaghan Innovation. Sue's knowledge in enabling New Zealand businesses to succeed through technology is invaluable to SKYCITY in general and to the SKYCITY board and management in particular.

### CORPORATE SOCIAL RESPONSIBILITY

Being a socially responsible business is at the heart of everything we do at SKYCITY. We fully recognise that we must earn our social licence to operate from the communities in which we conduct our business. A core component of social responsibility is the acknowledgement that not everyone is able

to game or consume alcohol safely; we are therefore committed to striking the right balance between excitement, reward and responsibility.

The directors are acutely aware that board decisions can have a profound effect on our local communities. This is particularly true when there is potential for harm to either people or the environment. Our challenge as a board has, and continues to be, to ensure our strategic decisions strengthen the communities within which we operate. The directors are therefore proud that SKYCITY is a leader in social responsibility.

Host responsibility is a vitally important part of our business and the board is pleased that our New Zealand casinos were recently recognised by the sector's regulator, the Department of Internal Affairs, as the best in the gaming industry. In its public report, the Department praised SKYCITY for cultivating "a culture of care within their casinos" and maintaining a very high standard of host responsibility in our gaming activities.

This is the highest praise we have ever received from any regulator and is testimony to our world-class Host Responsibility Programme and to all staff, who ensure it is carried out to exemplary standards. Their work enables us to claim, with complete justification, that SKYCITY is the safest place in which to game in New Zealand. Further, we use very similar programmes in Adelaide and Darwin.

The board's Corporate Social Responsibility Committee oversees SKYCITY's Host Responsibility Programme and its numerous environmental initiatives. These include the minimisation of food waste, the use of fresh local produce, management of energy consumption and the recycling of paper, plastic and glass, including even used hotel soap bars.

This Committee is passionately chaired by board member Sue Suckling with enthusiastic support from director Richard Didsbury. Sue is also the board's champion with management in respect of health and safety matters across the SKYCITY Group.

The company is similarly committed to diversity in terms of gender, ethnicity, sexual orientation, pay equality and unconscious bias training. Company activities in the diversity space include participation in the

Rainbow Tick, Champions for Change and TupuToa – Māori and Pasifika Corporate Pathways programmes. These matters are overseen by the board's Remuneration and Human Resources Committee.

## GOVERNANCE

The first and second pillars of ESG (environmental, social and governance) have been covered in the previous section of this review. The third, and arguably most important, pillar of ESG is governance.

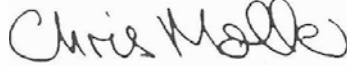
An important priority for the SKYCITY board is planned renewal and, after an external search, the board has secured an experienced Auckland-based chairman to succeed me. The directors are pleased that Rob Campbell has agreed to join the board and has subsequently been elected Chairman effective 1 January 2018. Rob is the current Chairman of two well-regarded listed companies, namely Summerset Group Holdings Limited and Tourism Holdings Limited. He was also a director of many organisations, including (currently) Precinct Properties New Zealand Limited and (previously) Bank of New Zealand, New Zealand Post, Ports of Auckland, Accident Compensation Corporation and Freightways. An economist by training, Rob's career includes academic, trade unionist and consulting roles. He currently advises a number of private equity and hedge funds globally. Rob also brings considerable diversity to the SKYCITY board in terms of his background and thinking.

Jennifer Owen was appointed to the SKYCITY board in December 2016. Based in Sydney, Jennifer has more than 30 years' experience in the areas of accountancy, audit, treasury and equities research. This includes as director of Equities Research at Citigroup Global Markets with a specialist focus on the Australasian gaming sector and as Equities Research Analyst at Macquarie Group where she concentrated on the tourism/leisure sector. Jennifer is also a former board member of Racing NSW. Jennifer's knowledge of the New Zealand and Australian gaming and entertainment sectors is valuable to SKYCITY as are her insights in respect of investor relations. Jennifer's financial skills augment the existing capability of the board's Audit and Financial Risk Committee.

Murray Jordan was appointed to the SKYCITY board at the same time as Jennifer and is a

director of NZX-listed Chorus Limited and ASX-listed Metcash Limited. Prior to embarking on a governance career in 2015, Murray was Managing Director of Foodstuffs North Island, one of New Zealand's largest supermarket chains. His early career was spent in the property sector, where his roles included General Manager of Telecom NZ's property business and General Manager of AMP Capital Investors NZ's property portfolio. Murray brings to the board excellent FMCG (fast moving consumer goods) and property expertise pertinent to SKYCITY's retail and property portfolios. Like Jennifer, he understands the New Zealand and Australian listed environments, which is beneficial to SKYCITY's dual listing.

I retire from the SKYCITY board after nine years as a director, proud in the knowledge that I leave the company in a better position than when I joined. I am confident that SKYCITY has a strong future under the leadership of my successor, Rob Campbell, all of the other directors and Graeme Stephens as Chief Executive Officer.

**CHRIS MOLLER**

CHAIRMAN

## FAREWELL

It has been an honour to serve as Chairman of SKYCITY for the past five years. I want to publicly thank Deputy Chairman Bruce Carter and the wider SKYCITY board for all their support, in particular the longer-serving directors, Bruce Carter, Richard Didsbury, Brent Harman and Sue Suckling, who, in their different ways, have made and continue to make significant contributions to the governance of SKYCITY. I also thank SKYCITY's management and all the fantastic staff, without whom there would be no SKYCITY.



# CHIEF EXECUTIVE OFFICER'S REVIEW



The SKYCITY Entertainment Group is in a transformational phase. We face significant short term challenges across a number of our properties as our cities, and our properties, build for the needs of our communities into the future. The significant development underway in Auckland and recently announced for Adelaide will position the Group for greater earnings growth in future years, but have come at some cost to near term earnings given the disruption from construction. The leadership of the organisation has also been undergoing change. My recent appointment as Chief Executive Officer comes with a firm mandate to deliver on the current major projects and, more importantly, set the strategy to ensure that the company remains well positioned and relevant for the medium and long term. The SKYCITY board has

simultaneously transitioned to new leadership with the appointment of three new directors since December 2016, including Rob Campbell who will assume the role of Chair when Chris Moller retires at the end of 2017.

We have some great projects currently underway and the new members of the team at executive and board level are bringing fresh ideas that will ensure we capitalise on the opportunities created by the existing business, which is a very solid platform from which to continue growing.

## KEY FEATURES OF ANNUAL RESULT

- Normalised NPAT was \$154.6 million, up 1.3% on the previous corresponding period. Normalised EBITDA was down 2.6% to \$321.5 million and normalised revenue down 4.9% to \$1.03 billion.



**GRAEME STEPHENS**  
CHIEF EXECUTIVE OFFICER



- Reported NPAT was down 69.2% to \$44.9 million, primarily due to an A\$95 million impairment of the goodwill relating to SKYCITY Darwin. Reported EBITDA was down 8.1% to \$307.0 million and reported revenue including gaming GST down 7.2% to \$1.02 billion. Normalised earnings per share fell 8.6% to 23.3 cents per share, largely due to increased shares on issue during the period compared to the prior period, partially offset by reduced net interest expense due to the equity capital raising completed in June 2016 and increased capitalised interest on major growth projects. Reported EPS was down 72.0% to 6.8 cents per share (impacted by the Darwin goodwill impairment).
- A final dividend of 10.0 cents per share has been declared, resulting in total dividends for FY17 of 20.0 cents per share, which is consistent with our existing dividend policy.
- Excluding our International Business and adjusting for a constant currency, Group EBITDA was up 2.3% on the previous corresponding period highlighting the resilience of our local businesses, especially in New Zealand.
- Our New Zealand properties delivered earnings growth, but this was partly offset by weak trading conditions in Australia and negative regulatory change in Darwin. Turnover in International Business fell significantly due to increased currency restrictions and the detention of Crown Resorts employees in China, leading to fewer customer visits, particularly in the second half of the year.
- Performance recovered in 2H17 with normalised EBITDA up slightly (0.5%) on the previous corresponding period and normalised NPAT up 5.3%.

## PROPERTY RESULTS IN SUMMARY

SKYCITY Auckland revenue (excluding International Business) was up 1.6% to \$566.7 million (with revenue up 3.5% on a like-for-like basis adjusting for discontinued operations and an extra trading day during FY16) and EBITDA was up 3.5% to \$259.8 million relative to a record corresponding period. Record local gaming revenue was achieved despite visitation being

flat on the previous corresponding period due to various capital works programmes across the city continuing to impact access to our precinct, and recent changes required by the health regulators to our smoking decks which impacted premium gaming areas.

SKYCITY Hamilton revenue (excluding International Business) was up 10.2% to \$59.4 million and EBITDA was up 15.3% to \$26.4 million. The strong result was due to increased gaming activity (particularly in gaming machines), investment in a new tenpin bowling alley and robust local macroeconomic conditions.

Our Queenstown operations remain relatively immaterial to the Group's results. Our two Queenstown casino venue licences represent an opportunity for future development rather than meaningful current contribution.

Adelaide Casino revenue (excluding International Business) was down 2.5% to A\$148.0 million and EBITDA was down 16.8% to A\$21.3 million. Adelaide's performance declined due to reduced visitation and early works disruption adversely impacting revenue. However, due to increased marketing and promotions, we have modestly grown our share of the local gaming market. A new General Manager was appointed for the Adelaide property during the period and he has initiated strategies to manage the impact of construction disruption while the local precinct and our own property are being transformed.

SKYCITY Darwin revenue (excluding International Business) was down 3.4% to A\$112.2 million and EBITDA was down 20.1% to A\$27.1 million. The number of club and pub gaming machines within the catchment area of the casino has increased by 75% since 1 July 2015 due to a decision by the Northern Territory administration to allow more gaming in local venues. The resultant permanent increase in competition has led to the A\$95 million write-off of Darwin's acquisition goodwill. An internal review has commenced to consider strategic options for the property.

Despite a strong Chinese New Year period, International Business turnover for the full-year was down 30.0% to \$8.7 billion and normalised EBITDA was down 41.6% to \$19.6 million.

This business segment was adversely impacted by increased restrictions on funds transfers and a reduced number of visits by larger customers during the period, particularly in 2Q17 following the arrests and detainment of Crown Resorts employees in China. Operating margins improved in 2H17 following a cost review, but were negatively impacted overall by the operating leverage in the business. International Business has been a driver of growth across the Group in recent years and we firmly believe in the longer-term prospects of this business. A new President of International Business was appointed in May 2017.

## MAJOR GROWTH PROJECTS AND FOCUS AREAS

The New Zealand International Convention Centre (NZICC) and Hobson Street hotel projects remain on-budget and good progress has been made during the year. Practical completion is now expected by mid-2019, previously guided at 1Q19, but well within the timeframe required to be operational as the NZICC sales team has only started taking large conference bookings from early 2020. Early demand for the new facility is encouraging and SKYCITY remains comfortable with its contractual position with Fletcher Construction as well as their focus on the projects, which will deliver world-class tourism infrastructure for Auckland and New Zealand.

We completed a range of developments at SKYCITY Auckland during the period, including the opening of the 'Grand Horizon' gaming salons, a major refurbishment of the Main Atrium area and the opening in July 2017 of Huami, a new Chinese restaurant. Huami has been extremely well received by customers, will complement the world-class Federal Street dining precinct and should drive further visitation to the Auckland property.

SKYCITY has now formally committed to proceeding with the development of an integrated casino resort in Adelaide following the signing of a development agreement with the South Australian Government in July 2017. The conditions required by the SKYCITY board for proceeding with the expansion have been satisfied, including improved access for premium gaming customers and certainty that Walker Corporation's car park

development (adjacent to our Adelaide property) will proceed.

The Riverbank Precinct surrounding Adelaide Casino is being transformed with major investments in the Adelaide Oval and Adelaide Convention Centre and the renovation of the theatres. Coupled with these attractions (all within comfortable walking distance from our Adelaide property) is the ease of access through public transport as well as the new parking facilities to be constructed. SKYCITY will contribute the final piece of the precinct plan by delivering a world-class destination for Adelaide, including its top hotel, function rooms, bars and restaurants.

The South Australian gaming market demonstrates that residents and visitors enjoy gaming as much as all other Australians, but the Adelaide Casino has always struggled to attract patronage as it lacks basic amenities such as safe and convenient car parking and appropriate hotel facilities. Our research shows that we have a significant opportunity to win back local gamers with a superior offering above local venues and through becoming the home of entertainment in Adelaide by connecting people better into the main gaming areas as well as our bars and restaurants. In finalising the project design we have focused on aspects of the old heritage building as well as the new, such that we will have two radically different but equally iconic buildings and a seamless integration of the existing casino with the new extension and hotel. In addition to new entertainment offerings and footfall drivers, we have reduced reliance on International Business in our feasibility study and increased the number of rooms in the new hotel from 86 to 123 with the addition of another floor, which also provides much needed function/meeting room space. We have accordingly increased the development budget to A\$330 million, which includes appropriate contingencies. The project is now a much better balanced product, focused on a more predictable market and forecast to generate reasonable returns above our cost of capital. The early works for the Riverbank Precinct redevelopment are progressing well and are expected to be completed by late 2017. SKYCITY expects to undertake a tender process for its main construction works over the next few months

and, following the procurement of a construction partner, we expect to commence our main works in 1Q18 and to complete these by 3Q20.

In addition to the two major projects outlined above, I can certainly see more potential in our existing properties. Strategically, we will be seeking to ensure that we are maximising what we have before we go looking for more. Our Auckland precinct offers further opportunity for development as does our property in Hamilton, which has a fast growing local economy. I also believe we should derive more from our licence opportunities in Queenstown. In assessing development potential we are acutely conscious of our available debt capacity, the most appropriate use of our capital and deriving an appropriate risk related return on any investment made.

Another area of keen focus for me is ensuring that SKYCITY adapts to the fast pace of technology growth that we are seeing across the world. We now have a team solely focused on innovation to ensure that the experience at SKYCITY remains world-class and that SKYCITY becomes a leader in how we engage with our customers via social and digital platforms. There is some exciting work being done in this space and I am very much looking forward to helping drive these projects forward.

Following the change in the regulatory environment, we are evaluating a number of strategic options for our Darwin property.

## MANAGEMENT APPOINTMENTS

I have been impressed with the high calibre of the management team at SKYCITY. John Mortensen, the Interim Chief Executive Officer immediately prior to my appointment, has now stepped into the newly created role of Group Chief Operating Officer and has also resumed direct responsibility for SKYCITY's flagship property in Auckland. Although John is nearing retirement, he is a very safe pair of hands to transition me into the business and allow time for succession planning.

Other key management appointments during the period include Luke Walker, our new General Manager Adelaide Casino, and Stewart Neish, our new President of International Business. We are confident that Luke and Stewart will add significant

experience and capability to our strong and diverse senior management team.

## FINAL DIVIDEND

The SKYCITY board has declared a fully imputed final dividend of 10.0 cents per share payable on 15 September 2017. The SKYCITY Dividend Reinvestment Plan will be available for this dividend, with a 2% discount applying, in line with prior periods. Elections to participate in the company's Dividend Reinvestment Plan for the final dividend close at 5.00pm (NZ time) on 1 September 2017.

SKYCITY has declared a total dividend for FY17 of 20.0 cents per share, which is consistent with our existing dividend policy of distributing at least 80% of normalised NPAT to shareholders each year subject to a minimum of 20 cents per share per annum.

The SKYCITY board confirms that the payout calculation for future dividends from FY18 will be adjusted to reflect the post-tax accounting impact of capitalised interest incurred on our major growth projects. This change will not impact other elements of our existing dividend payout policy, but is considered prudent given the increasing amount of capitalised interest expected out to FY20. This change is unlikely to have a material impact on actual dividends paid over this period.

We continue to believe that our dividend policy offers shareholders an attractive yield.

## FUNDING

Following the equity raising completed in June 2016, SKYCITY remains well positioned to fund its major growth projects out to FY20 and retain its investment grade BBB- credit rating with Standard & Poor's during peak gearing periods. Consistent with previous market guidance, we expect total debt to peak during FY20 at around \$1 billion.

Total committed facilities (at hedged exchange rates) as at 30 June 2017 were \$965 million of which \$361 million have been drawn. We recently extended the maturity of A\$280 million of our senior bank facilities out to March 2022, beyond the completion of our major growth projects. We are also considering further debt issuances during FY18, including a second New Zealand bond issue and another

United States private placement to refinance a US\$75 million maturity in March 2018.

## OUTLOOK FOR FY18

Overall, we anticipate SKYCITY's Group EBITDA for FY18 to show modest growth on the previous corresponding period. Key contributors to this outlook are expected to be growth from our combined New Zealand businesses and a recovery in our International Business, offset by further weakness in SKYCITY Darwin. Corporate costs are expected to increase on a like-for-like basis as the company invests in technology and innovation designed to position the Group better for the future of entertainment.

One of the major attractions of the job for me is that SKYCITY is currently in an exciting period of development with a number of major projects underway. This is a well established business with limited downside risk and offering great opportunities beyond the short term disruption that we face during this period of transformation. Our investments in Auckland will lift the visitation to the precinct and position the city as a leader in the regional convention market. Adelaide Casino will be a major, relevant entertainment destination located in the hub of a vibrant convention and leisure precinct, which is forecast to see a significant increase in visitor numbers. We continue to focus on further longer term opportunities to grow our entertainment and leisure businesses. Our strong brand and first-world regulatory environment position us well to leverage into further entertainment offerings outside the casinos that will deliver increased visitation to our properties and new earnings streams to the Group.

I would like to thank Chris Moller and the SKYCITY board for the opportunity they have given me. I am also looking forward to working alongside the Chairman-Elect, Rob Campbell, once he takes over the reins in 2018 – together we need to build on the platform that has been created.

I would also like to thank the SKYCITY management team and staff and the many stakeholders and shareholders I have met – all of whom have warmly welcomed me. We are challenged to ensure we continue to offer relevant forms of entertainment and hospitality

to customers increasingly spoilt for choice and with increasingly divergent interests. I believe we have real potential for future development and growth. I am very passionate about this company and what we can achieve, and I'm looking forward to the challenges and opportunities that lie ahead.



**GRAEME STEPHENS**  
CHIEF EXECUTIVE OFFICER

# OUR BUSINESS

Creating value for our stakeholders by delivering world-class casino entertainment

## OUR CUSTOMERS

ANNUAL VISITATION AND NORMALISED REVENUE (INCLUDING GAMING GST) IN FY17





## OUR OPERATING FACILITIES

AS AT 1 AUGUST 2017

**4,146** ELECTRONIC GAMING MACHINES  
**305** TABLES

**787** ROOMS

**13** SIGNATURE RESTAURANTS  
**16** OTHER RESTAURANTS  
**21** BARS

**3,600** PARKING BAYS

**7,500** M<sup>2</sup> OF CONFERENCE ROOMS



## DISTRIBUTIONS

TO OUR STAKEHOLDERS IN FY17

GOVERNMENTS **\$165** MILLION  
IN TAXES

EMPLOYEES **\$307** MILLION  
IN SALARIES AND WAGES

COMMUNITIES **\$20** MILLION  
IN COMMUNITY CONTRIBUTIONS,  
LEVIES AND SPONSORSHIPS

SUPPLIERS **\$251** MILLION  
IN PAYMENTS TO SUPPLIERS

**\$159** MILLION  
OF CAPITAL INVESTED

LENDERS **\$31** MILLION  
IN INTEREST PAID

SHAREHOLDERS **\$132** MILLION  
OF DIVIDENDS DECLARED IN  
RELATION TO THE FY17 PERIOD

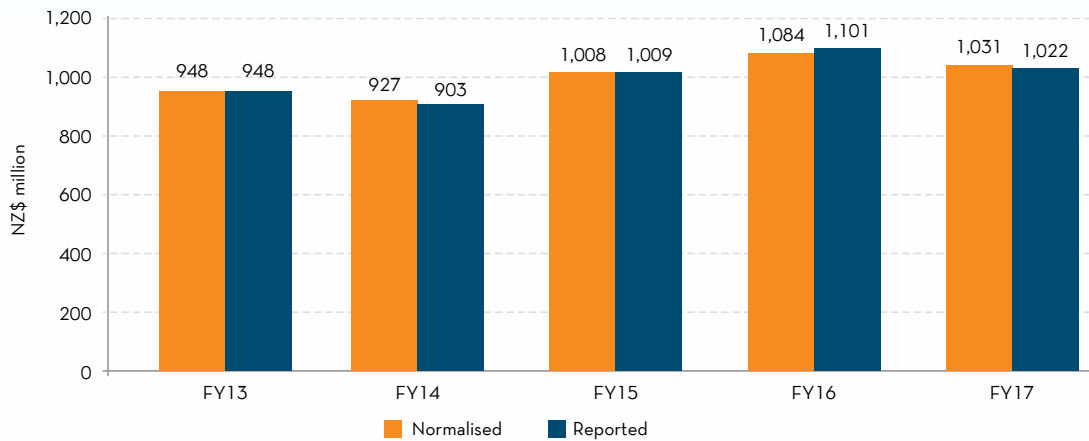
## OUR PROPERTIES

PROPERTY	OPENED/ACQUIRED	CASINO VENUE LICENCE/ LICENSING AGREEMENT RUNS UNTIL	ENTERTAINMENT ACTIVITIES	FY17 REVENUE (INCLUDING GAMING GST AND NORMALISED INTERNATIONAL BUSINESS)
<b>SKYCITY AUCKLAND</b> 	Opened in 1996	2048*	<ul style="list-style-type: none"> <li>• Gaming</li> <li>• Hotels</li> <li>• Food and beverage</li> <li>• Entertainment</li> <li>• Conventions</li> <li>• Out-catering</li> <li>• Car parking</li> <li>• Sky Tower</li> </ul>	<b>\$649</b> MILLION
<b>SKYCITY HAMILTON</b> 	Opened in 2002  Increased ownership from 70% to 100% in 2005	2027*	<ul style="list-style-type: none"> <li>• Gaming</li> <li>• Food and beverage</li> <li>• Entertainment</li> <li>• Conventions</li> <li>• Car parking</li> <li>• Tenpin bowling</li> </ul>	<b>\$60</b> MILLION
<b>SKYCITY QUEENSTOWN AND SKYCITY WHARF</b> 	Opened Queenstown in 2000  Increased ownership of Queenstown from 60% to 100% in 2012  Acquired Wharf in 2013	2025* (Queenstown) 2024* (Wharf)	<ul style="list-style-type: none"> <li>• Gaming</li> <li>• Food and beverage</li> <li>• Entertainment</li> <li>• Conventions</li> </ul>	<b>\$18</b> MILLION
<b>ADELAIDE CASINO</b> 	Acquired in 2000	2085	<ul style="list-style-type: none"> <li>• Gaming</li> <li>• Food and beverage</li> <li>• Entertainment</li> </ul>	<b>A\$169</b> MILLION
<b>SKYCITY DARWIN</b> 	Acquired in 2004	2031 (currently seeking to extend to 2036)	<ul style="list-style-type: none"> <li>• Gaming</li> <li>• Hotels</li> <li>• Food and beverage</li> <li>• Entertainment</li> <li>• Conventions</li> <li>• Car parking</li> </ul>	<b>A\$117</b> MILLION

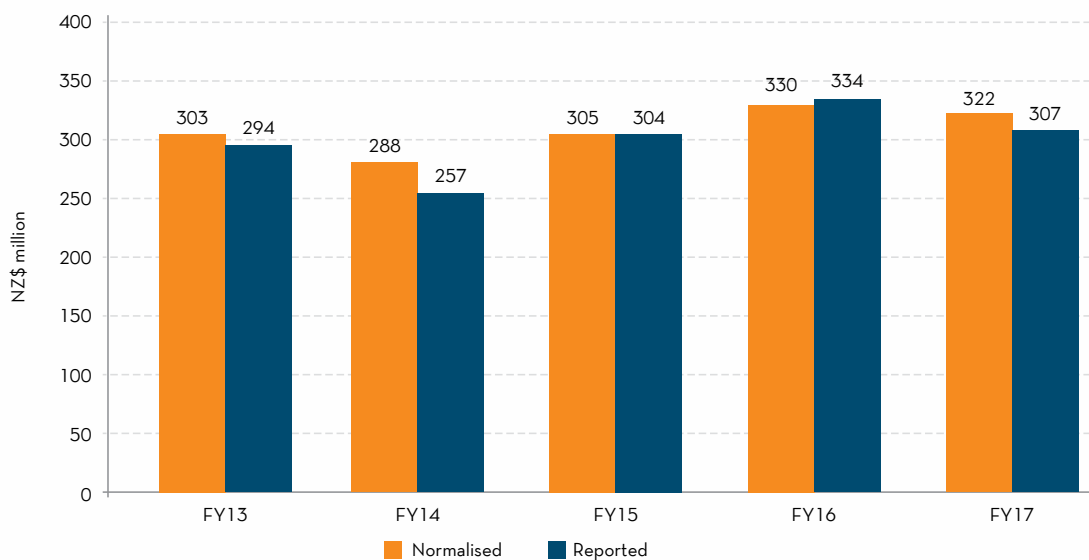
\*Each New Zealand casino venue licence can be renewed for a further period of 15 years pursuant to sections 134-138 of the New Zealand Gambling Act 2003.

## OUR FINANCIAL PERFORMANCE (FY13-FY17)

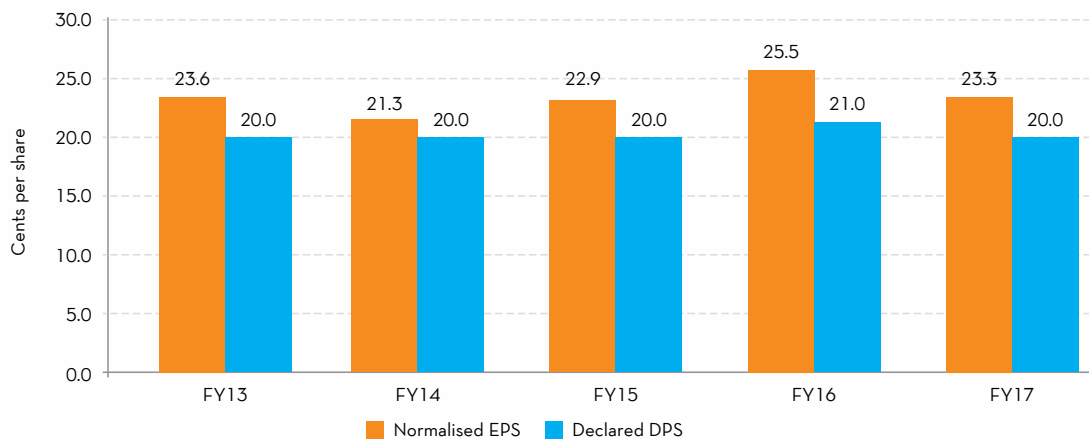
**GROUP REVENUE (including gaming GST)**



**GROUP EBITDA**



**EARNINGS PER SHARE AND DIVIDEND PER SHARE**



# OUR PROJECTS

## NZICC AND HOBSON STREET HOTEL

SKYCITY is investing approximately \$700 million in Auckland to deliver the New Zealand International Convention Centre (NZICC), a new 300 room five-star hotel on Hobson Street, a retail laneway and 1,300 additional car parking spaces.

The NZICC is expected to generate \$90 million in economic benefits for New Zealand annually, in addition to being a significant driver of visitation for the accommodation, retail, commercial and entertainment precincts in Auckland's central business district.

The overall development programme remains on-budget, with practical completion expected in mid-2019.

## ADELAIDE CASINO

In July 2017, SKYCITY committed to proceeding with the A\$330 million expansion of the Adelaide Casino by signing a development agreement with the South Australian Government.

The project includes an expansion of the main gaming floor (allowing for a 30% increase in gaming product), new VIP gaming facilities,

a 123 room all-suite hotel, new function spaces and meeting rooms, three new bars and three additional signature restaurants. The main works are due to commence in early 2018 and to be completed in the third quarter of 2020.

SKYCITY's project is part of a wider development across the Riverbank Precinct and is a significant investment in creating a world-class entertainment precinct for Adelaide. Early works on the Riverbank Precinct are already underway to prepare the area for the developments, including a new 1,500 space car park (of which SKYCITY has agreed to lease 750 spaces).



ARTIST'S IMPRESSION OF NZICC AND HOBSON STREET HOTEL





ARTIST'S IMPRESSION OF ADELAIDE CASINO EXPANSION

## SKYCITY AUCKLAND

SKYCITY has continued to invest in its Auckland property over the last financial year to enhance the customer experience and drive further growth. In July 2017, we opened Huami - the ninth addition to our award-winning Federal Street dining precinct. Huami boasts contemporary, authentic Chinese cuisine, world-class design, impressive ambience and traditional cuisine with a modern twist. Well-known New Zealand chef Nic Watt (of MASU by Nic Watt on Federal Street and Madame Hanoi in Adelaide) collaborated with SKYCITY on the project and together with executive chef Jeff Tan, who has an impressive career running some of the finest restaurant kitchens in Asia and the Middle East, will deliver Huami's incredible food offering.

We are currently undertaking a master planning exercise for our Auckland property with the aim of maximising the long-term potential of our existing facilities and the broader precinct following the opening of the NZICC.

## SKYCITY HAMILTON

In December 2016, SKYCITY Hamilton celebrated the opening of Bowl and Social - a new and improved bowling and entertainment hub, boasting world-class bowling technology and equipment and a high quality food and beverage offering. The new facility completely transforms the traditional bowling experience - allowing customers to compete multi-player while enjoying an exciting audio visual experience.

Like Auckland, we have also recently commenced a master planning exercise for our Hamilton property to ensure we benefit fully from the Hamilton City River Plan and the favourable outlook for the Waikato region.



HUAMI CHINESE RESTAURANT AND BAR



BOWL AND SOCIAL

# OUR BOARD



## CHRIS MOLLER - Chairman

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

Chris Moller is currently Chairman of Meridian Energy Limited and the New Zealand Transport Agency and a director of Westpac New Zealand Limited. In his previous role as Chief Executive Officer 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 Chartered Accountants Australia and New Zealand and was appointed as a Companion of the New Zealand Order of Merit in January 2015 for services to business and sport.

As previously announced to the market in June 2017, Chris Moller will retire from the board effective 31 December 2017.



## BRUCE CARTER - Deputy Chairman

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

Based in Adelaide, Australia, Bruce Carter is a Consultant to Ferrier Hodgson in Adelaide and was one of the founding partners of the Adelaide practice in 1992. He was formerly a partner at Ernst & Young and has more than 30 years' experience in corporate restructuring and insolvency.

Bruce is currently Chairman of ASC Pty Ltd (Australian Submarine Corporation) and Aventus Capital Limited and a director of Bank of Queensland Limited as well as a number of private companies and government bodies. He is a Fellow of Chartered Accountants Australia and New Zealand.



## BRENT HARMAN - Director

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

Brent Harman has chaired SKYCITY's Remuneration and Human Resources Committee since 2010. His governance experience of more than 25 years includes executive directorships of two London-based FTSE-listed companies, executive and non-executive directorships of two ASX-listed companies and directorships of a number of listed and unlisted New Zealand companies, most recently including Metlifecare Limited and Mediaworks NZ Limited.

Brent's previous career in management in New Zealand included developing and launching the Newstalk radio format as General Manager of Newstalk ZB and after that as Chief Executive Officer of TVNZ. He is a chartered member of the New Zealand Institute of Directors.



#### **SUE SUCKLING - Director**

*Chair of the Corporate Social Responsibility Committee  
Member of the Governance and Nominations Committee  
Appointed a Director of SKYCITY in May 2011*

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

Sue is currently the Chair of the New Zealand Qualifications Authority, Callaghan Innovation Research Limited, Jacobsen Holdings Limited, the Lincoln Hub Establishment Board, ECL Group Limited and Jade Software Corporation Limited. Previous governance roles include chairing NIWA, AgriQuality Limited, and as a director of Restaurant Brands Limited, Westpac Investments Limited and the New Zealand Dairy Board. She holds an OBE for her contribution to New Zealand business. Sue is an inaugural Fellow of the New Zealand Institute of Directors and a Companion of the Royal Society of New Zealand.



#### **RICHARD DIDSBURY - Director**

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

Richard Didsbury graduated as an Engineer from Auckland University and has enjoyed a distinguished career in property investment and development.

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



#### **JENNIFER OWEN - Director**

*Member of the Audit and Financial Risk Committee  
Member of the Governance and Nominations Committee  
Appointed a Director of SKYCITY in December 2016*

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

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

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





**MURRAY JORDAN** - Director

*Member of the Remuneration and Human Resources Committee  
Member of the Governance and Nominations Committee  
Appointed a Director of SKYCITY in December 2016*

Murray Jordan is currently a director of Chorus Limited and Metcash Limited, an ASX listed wholesale distributor specialising in food, grocery and hardware based in Australia, a director of Stevenson Group Limited, a family owned New Zealand business specialising in building products and quarrying, and a trustee of the Starship Foundation. Prior to embarking on a governance career in 2015, he held various senior management roles at Foodstuffs Limited from 2004 to 2015, including Managing Director of Foodstuffs North Island and Managing Director and General Manager Retail, Sales and Performance of Foodstuffs Auckland Limited. In 2013, he led the merger of the Auckland and Wellington businesses of Foodstuffs to create what is now known as Foodstuffs North Island and established and oversaw the integration program.

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



**ROB CAMPBELL** - Director and Chairman-Elect

*Member of the Audit and Financial Risk Committee  
Member of the Governance and Nominations Committee  
Appointed a Director of SKYCITY in June 2017*

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

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

Rob will succeed Chris Moller as Chairman of the board from 1 January 2018 following Chris' retirement from the board on 31 December 2017.



# OUR MANAGEMENT



## SENIOR LEADERSHIP TEAM



**1 GRAEME STEPHENS**  
Chief Executive Officer

**2 ROB HAMILTON**  
Chief Financial Officer

**3 JOHN MORTENSEN**  
Group Chief Operating Officer  
(with direct responsibility for  
SKYCITY Auckland)

**4 CLAIRE WALKER**  
Group General Manager  
Human Resources

**5 SONYA CROSBY**  
Chief Innovation Officer

**6 PETER TREACY**  
Group General Manager Corporate  
Affairs and Chief Risk Officer

**7 JO WONG**  
General Counsel and  
Company Secretary



## SITE AND BUSINESS GENERAL MANAGERS



**8 MICHELLE BAILLIE**  
General Manager  
SKYCITY Hamilton



**9 JONATHAN BROWNE**  
General Manager  
SKYCITY Queenstown/  
SKYCITY Wharf



**10 LUKE WALKER**  
General Manager  
Adelaide Casino



**11 DAVID CHRISTIAN**  
General Manager  
SKYCITY Darwin



**12 SIMON JAMIESON**  
Group General Manager  
New Zealand International Convention  
Centre Development and Tourism



**13 STEWART NEISH**  
President International Business



# CORPORATE SOCIAL RESPONSIBILITY

## OUR CORPORATE SOCIAL RESPONSIBILITY PLATFORM

At our core, SKYCITY is a provider of casino entertainment. Our challenge is to ensure that our business provides entertaining and profitable, yet safe and responsible, experiences and environments for our customers and staff. It is also imperative that we are ethical and transparent in our engagement with suppliers, our local communities and other important stakeholders as we grow our business.

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

In December 2016, after undertaking research with both internal and external stakeholders on which sustainability issues are most relevant to our business, SKYCITY adopted our first set of corporate social responsibility goals, priority actions and targets. These goals and targets are outlined on the following pages and are directly aligned to our most material issues, what really matters, and will allow us to measure our progress in a transparent way.

More detailed information about our corporate social responsibility platform can be found in SKYCITY's Corporate Social Responsibility Reports (available in the Corporate Responsibility section of the company's website at [www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com)).

## OUR CORPORATE SOCIAL RESPONSIBILITY MISSION

As a cornerstone enterprise at the heart of our communities, the communities in which SKYCITY operates are better off for our involvement.

## OUR PILLARS AND GOALS

Responsible Gaming	Operate as a trusted, safe, transparent and responsible casino and entertainment provider
The Environment	Reduce our environmental footprint every year
Community Development and Investment	Create value to ensure our communities are better off for our involvement
Fair Operating Practices	Lead by example and promote sustainability in our supply chain
Labour Practices and Human Rights	Be the leading employer in hospitality and casino entertainment in Australasia



## OUR PRIORITIES AND TARGETS

Having finalised our goals, through organisation-wide workshops and consultation we developed priorities and targets, which set out what we intend to do both in our business and in our communities. These priorities and targets are intended to challenge the business and staff and provide a dedicated framework for measuring progress over the next few years.

The following tables outline SKYCITY's goal, priorities and targets for each of the five pillars outlined earlier with some highlights of progress made over the past financial year.

### RESPONSIBLE GAMING

Goal	<ul style="list-style-type: none"> <li>Operate as a trusted, safe, transparent and responsible casino and entertainment provider</li> </ul>
Priorities	<ul style="list-style-type: none"> <li>Gain external accreditation through listing on the Dow Jones Sustainability Index</li> <li>Continue to deliver a comprehensive and world-leading Host Responsibility Programme in all of our sites</li> <li>Improve the effectiveness of our Host Responsibility Programme and training by undertaking independent reviews of both the programme and training approach across all sites</li> </ul>
Targets	<ul style="list-style-type: none"> <li>100% rating in "Promoting Responsible Gaming" on the Dow Jones Sustainability Index assessment</li> <li>100% regulatory compliance in host responsibility and positive trend/improvement in regulator audits</li> <li>Achieve independent evaluation of host responsibility programmes and training resources at all sites by the end of the financial year ending 30 June 2018</li> <li>Maintaining or improving on our 2016 financial year baseline for staff rating of SKYCITY as a 'responsible host'</li> </ul>

#### Highlights

At SKYCITY, we take our responsibilities to minimise risk and harm from problem gambling very seriously. We invest more than \$5 million a year on host responsibility, including training all staff in problem gambling indicators, and we have a team of Customer Service Ambassadors trained to interact with customers and to report any concerns to our security and host responsibility teams so preventative action can be taken.

In 2016, we received a 100% rating on the Dow Jones Sustainability Index category "Promoting Responsible Gaming" for our efforts. The results of our 2017 assessment are due out in September 2017.

Success is also measured through regulatory compliance. In late 2016, the Department of Internal Affairs conducted a 'mystery shopping' exercise across all casinos and 120 pubs and clubs (Class 4 venues) around New Zealand. SKYCITY's four casinos in Auckland, Hamilton and Queenstown came out top in the exercise. The Department reported that "the results from SKYCITY casinos show what can be done when more dedicated resource is directed at minimising harmful gambling within a culture that puts a clear focus on a high standard of harm minimisation practice" and that "the overall results also show that SKYCITY casinos have cultivated a culture of care within their casinos".





## THE ENVIRONMENT

Goal	<ul style="list-style-type: none"> <li>Reduce our environmental footprint every year</li> </ul>
Priorities	<ul style="list-style-type: none"> <li>Begin measuring and reporting on our environmental footprint (eg carbon, energy, water and waste)</li> <li>Seek energy savings through design of infrastructure and technology improvements</li> <li>Introduce improved recycling, including food waste composting</li> <li>Embed environmentally-friendly purchasing options into supply chain</li> <li>Continue donation of reusable goods (eg excess edible food and hotel items)</li> </ul>
Targets*	<p><b>GENERAL</b></p> <ul style="list-style-type: none"> <li>Measure and establish baseline data for the 2015–2017 financial years for emissions, energy, waste and water by the end of the financial year ending 30 June 2018</li> <li>Improve staff perception of SKYCITY as being responsible with respect to the environment</li> </ul> <p><b>CARBON:</b></p> <ul style="list-style-type: none"> <li>Measure carbon footprint (Scope 1 and 2) for the SKYCITY Group by the end of the financial year ending 30 June 2018</li> <li>Measure carbon footprint (Scope 3) by the end of the financial year ending 30 June 2020</li> <li>10% reduction in Scope 1 and 2 emissions by the end of the financial year ending 30 June 2018 (from the 2015 financial year baseline)</li> <li>30% reduction in total emissions by the end of the financial year ending 30 June 2025</li> </ul> <p><b>ENERGY:</b></p> <ul style="list-style-type: none"> <li>3% energy reduction per year per dollar revenue (from the 2015 financial year baseline)</li> </ul> <p><b>WASTE:</b></p> <ul style="list-style-type: none"> <li>40% reduction of waste to landfill by the end of the financial year ending 30 June 2025 (from the 2015 financial year baseline)</li> <li>7% reduction per year per dollar revenue</li> <li>Zero waste by the end of the financial year ending 30 June 2030</li> </ul> <p><b>WATER:</b></p> <ul style="list-style-type: none"> <li>3% water use reduction per year per dollar revenue</li> </ul>

\*These targets are subject to change once a baseline is established by SKYCITY.

### Highlights

Whilst we are in the final stages of gathering our three-year set of baseline data to confirm our environmental footprint, we have taken significant steps in the interim to reduce our energy, water and waste to landfill.

In April 2017, we introduced an improved set of recycling services at our Auckland site, including a new food waste separation and composting system. Food waste from our 21 kitchens and restaurants in Auckland is now being diverted to EnviroNZ, where it is composted into a fertiliser product for horticulture. We plan to expand this system to other sites in the SKYCITY Group where composting options exist.



CHEFS AND KITCHEN STAFF GET IN BEHIND OUR NEW FOOD WASTE COMPOSTING SYSTEM



## COMMUNITY DEVELOPMENT AND INVESTMENT

Goal	<ul style="list-style-type: none"> <li>Create value in the communities in which we operate</li> </ul>
Priorities	<ul style="list-style-type: none"> <li>Measure and evaluate SKYCITY's social impact (eg inputs, outputs, impact on our communities and impact on other key stakeholders)</li> <li>Quantify economic value creation from new developments, including return on investment, job creation, economic development and tourism</li> <li>Develop and implement a new group wide community engagement strategy</li> <li>Develop a deeper connection with iwi and predominant ethnicities in the communities in which we operate</li> <li>Leverage our business and assets to support community economic development goals</li> <li>Continue investing in communities through the SKYCITY Community Trusts in New Zealand and through meaningful key charity partnerships</li> </ul>
Targets	<ul style="list-style-type: none"> <li>Improve community perception of SKYCITY as a valuable cornerstone enterprise – measured through regular perception insights, research and community engagement feedback across our communities</li> <li>Improve level of staff awareness of, and pride in, SKYCITY being a responsible part of the community</li> </ul>

### Highlights

Over the past financial year, the three SKYCITY Community Trusts distributed a total of \$4,020,771 in the Auckland, Waikato and Queenstown Lakes regions. SKYCITY also made considerable contributions to our local communities through a large variety of sponsorships and charitable partnerships.

One highlight for the SKYCITY Auckland Community Trust was a \$1 million grant (\$200,000 per annum over a 5-year period) made to the Auckland City Mission towards their site redevelopment and Housing First Central Auckland project. The Housing First model involves providing centralised housing and support using a proven approach for people experiencing chronic homelessness. SKYCITY is further supporting the Auckland City Mission through our 'Change for Good' programme in the SKYCITY Grand Hotel and SKYCITY Hotel in Auckland, where customers are invited to leave their spare change with donations matched by SKYCITY, and through donations of reusable furniture and other items. Our Auckland staff also participated in the Auckland City Mission's 2017 'Winter Appeal' through donations of food and winter clothing.



LEUKAEMIA AND BLOOD CANCER FOUNDATION  
FIREFIGHTER SKY TOWER STAIR CHALLENGE

## FAIR OPERATING PRACTICES

Goal	<ul style="list-style-type: none"> <li>Lead by example in promoting corporate responsibility and sustainability in our supply chain</li> </ul>
Priorities	<ul style="list-style-type: none"> <li>Engage our supply chain through the distribution of SKYCITY's Ethical Sourcing Code</li> <li>Further embed sustainability considerations into purchasing and procurement</li> <li>Further development of a sustainability assessment process, rating and vendor audit and improvement approach</li> </ul>
Targets	<ul style="list-style-type: none"> <li>Increased Dow Jones Sustainability Index rating for Supply Chain Management year-on-year</li> <li>All new vendors (from January 2017) have signed up to and are meeting the requirements of SKYCITY's Ethical Sourcing Code</li> <li>Vendor sustainability questionnaire and assessment process agreed across all SKYCITY sites, and vendors covering 70% of total spend to have completed the sustainability questionnaire and assessment, by the end of the financial year ending 30 June 2019</li> <li>100% of vendors have signed and comply with the Ethical Sourcing Code by the end of the financial year ending 30 June 2019</li> </ul>

### Highlights

SKYCITY actively seeks out ways to incorporate sustainability criteria into our supply chain. In the past financial year, we developed new hotel amenity bottles made from fully recycled plastic from our recycled milk bottles in New Zealand, which are scheduled for roll out to the SKYCITY Grand Hotel and SKYCITY Hotel in Auckland in late 2017. We also began distributing an Ethical Sourcing Code against which we will begin auditing our suppliers in the 2018 financial year.



## LABOUR PRACTICES AND HUMAN RIGHTS

Goal	<ul style="list-style-type: none"> <li>Be the leading employer in hospitality and casino entertainment in Australasia</li> </ul>
Priorities	<ul style="list-style-type: none"> <li>Focused investment in staff care and development, including health, safety and wellbeing</li> <li>Achieve a self-sustaining safety culture by preventing harm and building wellness</li> <li>Enable opportunities for career progression for SKYCITY staff</li> <li>Foster an environment that celebrates and leverages the diversity of our workforce</li> <li>Zero tolerance for pay inequality and continuation of unconscious bias training</li> </ul>
Targets	<ul style="list-style-type: none"> <li>Increase our reinvestment of revenue in staff development from 0.6% (for the financial year ended 30 June 2016) to 1% by the end of the financial year ending 30 June 2020</li> <li>Year-on-year growth in: <ul style="list-style-type: none"> <li>near miss reporting</li> <li>employee participation and engagement in wellness initiatives</li> <li>worker collaboration, communication and participation through active safety committees</li> </ul> </li> <li>By the end of the financial year ending 30 June 2017, 60% of management and specialist roles (with a base salary of \$50,000 and above) will be filled by internal applicants</li> <li>Extend Rainbow Tick certification to all New Zealand sites and identify an equivalent Australian certification programme for our Darwin and Adelaide sites</li> <li>Develop an approach to working with underrepresented minorities to identify opportunities for employment and career development</li> <li>All pay inequality issues identified and corrected through use of the annual remuneration review tool and unconscious bias training</li> </ul>

### Highlights

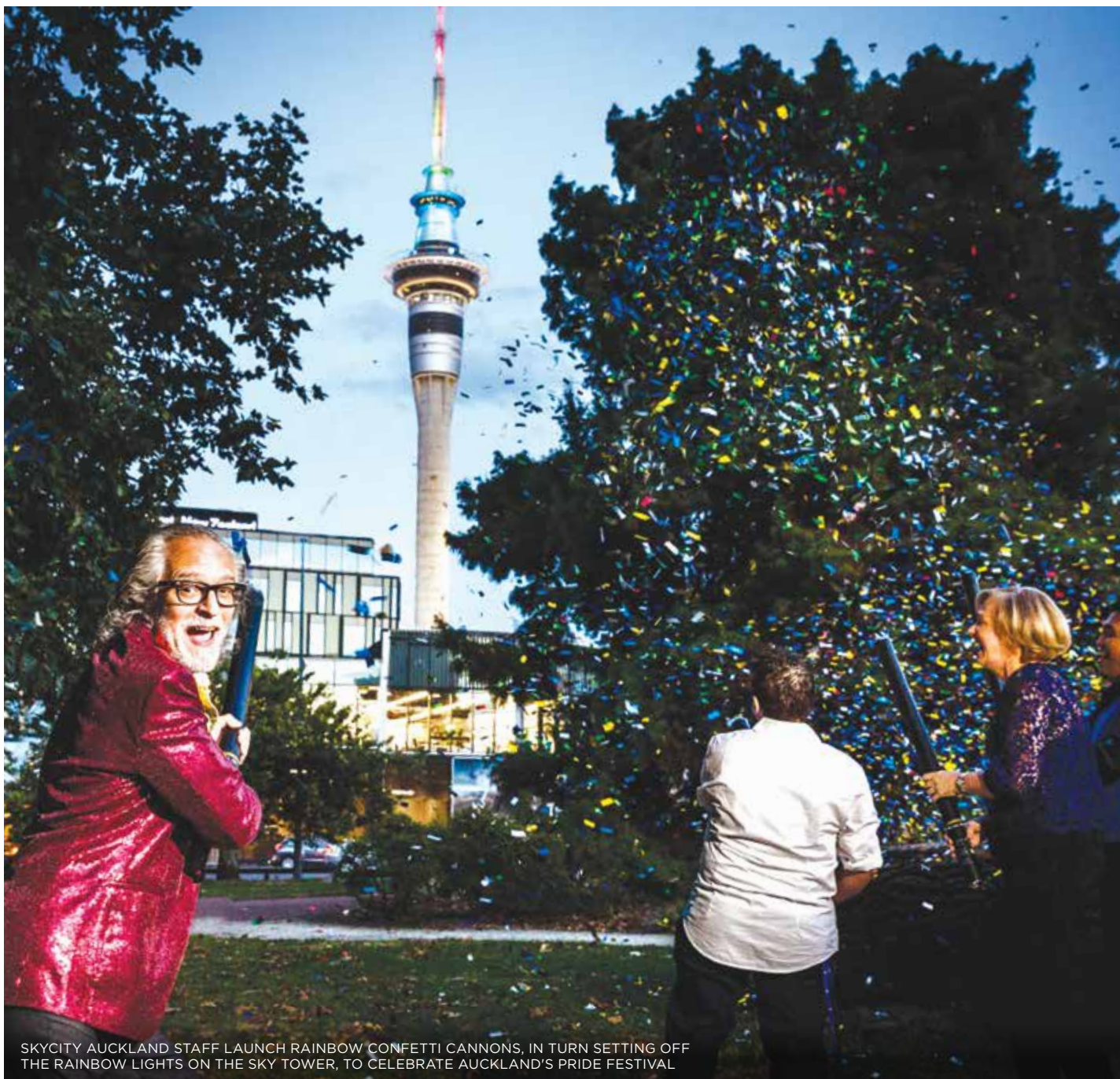
With a large and diverse workforce, SKYCITY is recognised for taking a lead in staff development and care. In May 2017, SKYCITY was awarded two Platinum LearnX Awards from the LearnX Foundation (an independent non-profit agency) – a Platinum award for Best Blended Learning Model for the SKYCITY Emerging Leaders Programme, which is designed to accelerate the development of our best front-line talent across the organisation, and a Platinum award for Best Behavioural Change Project for SKYCITY’s new customer service initiative “SHINE”, which was developed to encourage SKYCITY staff to deliver exceptional customer service. Customer feedback on our SHINE initiative has reflected a clear improvement in customer service delivery.

Further details on our labour and human rights practices are set out in the Corporate Governance Statement and Other Disclosures section in this annual report.





# OUR *WORKPLACE*



SKYCITY AUCKLAND STAFF LAUNCH RAINBOW CONFETTI CANNONS, IN TURN SETTING OFF THE RAINBOW LIGHTS ON THE SKY TOWER, TO CELEBRATE AUCKLAND'S PRIDE FESTIVAL



## DIVERSITY AND INCLUSION

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

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

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

The Diversity and Inclusion Policy sets out several objectives to advance diversity and inclusion in the workplace. These include:

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

At SKYCITY, we have a strong representation of minority groups who are often underrepresented in the wider workforce. Encouraging diversity of thought in our workforce allows us to strategically reflect our diverse customer base and draw people with different backgrounds to our business.

In addition to reporting on diverse groups, our focus over the past financial year has been to support a culture of inclusion that has enabled us to leverage diversity of thought, ensuring a sustainable competitive advantage and strengthening our market-leading employment brand.

## CHAMPIONS FOR CHANGE AND GENDER PAY EQUALITY

SKYCITY is proud of its commitment to a voluntary diversity reporting framework which is being led by the Champions for Change, a group convened by Global Women of New Zealand chief executive officers and chairs from across the public and private sector who are committed to raising the value of diversity and inclusiveness throughout the wider business community.

Chief Executive Officer, Graeme Stephens, is SKYCITY's Champion for Change and, together with the chief executive officers and chairs of other large New Zealand companies, has agreed to contribute SKYCITY's data to the newly developed diversity and ethnicity reporting tool over the next two years.

Global Women co-Chair, Dame Jenny Shipley, describes the Champions for Change as "holding themselves accountable to an agreed set of consistent reporting standards and in doing so benchmarking their efforts and progress amongst their peer group as they strive towards achieving truly diverse and inclusive leadership in their organisations".

One of SKYCITY's key objectives is to review gender pay equality and deliver an organisation wide programme that removes any risk of bias or inequality. In this regard, we continue to review the results of the company's annual remuneration review in terms of outcomes based on gender. Our 2016 remuneration review saw a higher average increase for females versus males.

SKYCITY continues its sponsorship of the YWCA Equal Pay Awards as a way of encouraging other organisations to share their success stories and inspire others. SKYCITY's Group General Manager Human Resources, Claire Walker, is a member of the judging panel and while sponsors are not permitted to enter the awards, we complete the application

process to ensure we remain competitive in our commitment to equal pay.

## WHITE RIBBON PROGRAMME

Acknowledging that domestic violence is prevalent in society and often has a detrimental impact on employment, this year we developed a programme which assists employees impacted by domestic violence.



SKY TOWER LIT IN RAINBOW LIGHTS

In conjunction with the New Zealand Women's Refuge, we have developed a policy, manager training programme and referral channels. The policy provides for SKYCITY employees to access paid leave, should they require it, to attend legal proceedings, medical appointments and/or access support services.

### BRINGING OUR 'WHOLE SELVES' TO WORK

We are proud to have maintained a Rainbow Tick for the third year at our Auckland property and to have achieved this accreditation at our Hamilton and Queenstown properties for the first time.

Being a Rainbow Tick employer means SKYCITY has been acknowledged as being a safe, supportive and welcoming workplace by the Rainbow community.

### ATEED YOUTH EMPLOYER OF THE YEAR

This year, SKYCITY Auckland was recognised as ATEED Youth Employer of the Year for achievements in building and delivering youth related education, development and employment.

We have maintained our commitment as a Mayor's Youth Employment Pledge Partner and continue our work experience programmes with secondary and tertiary schools to provide a pathway for young people into a hospitality career.

### DEVELOPING UNDERREPRESENTED GROUPS - NEW PARTNERSHIPS

During the past financial year, we have continued our focus on delivering targeted programmes that support employees from underrepresented groups to thrive at SKYCITY by entering into three new strategic partnerships:

- The TupuToa Māori and Pasifika Corporate Pathways programme provides tertiary students with work experience opportunities within SKYCITY in areas aligned to their studies;
- SKYCITY will provide one four-year scholarship to the First Foundation, which includes financial support for an academically talented student entering

tertiary study from a low income family and low decile school; and

- We have partnered with Indigenous Growth Limited to assist in developing and delivering a bespoke leadership programme for Māori at SKYCITY, which will be offered during 2018 to employees who identify as Māori and are either an emerging or established leader.

### LOOKING AHEAD

SKYCITY is a diverse workplace with over 80 cultures and five generations represented in our employee community and we value the diversity of thought this brings.

Over the coming year, we aspire to be a leader amongst our peers in unlocking the value of diversity and have set the following measurable objectives for the financial year ending 30 June 2018:

- continue to strive to ensure strong female candidates are identified in the recruitment process for all board and senior executive roles;
- continue to review gender pay equality and deliver an organisation wide programme that removes any risk of bias or inequality;
- maintain Rainbow Tick certification for our all New Zealand sites and membership of Pride in Diversity in Australia to reiterate our commitment to our lesbian, gay, bi-sexual, trans-sexual and intersex employees;
- monitor the participation of underrepresented groups in our leadership training and talent programmes;
- deliver talent and development programmes that assist underrepresented groups to maximise their potential;
- establish a diversity council structure and encourage the formation of a range of diverse communities who may identify areas of opportunity or need and develop appropriate solutions to support such communities;
- undertake a programme of cultural intelligence assessment and training for senior executives and managers;
- deliver a programme which educates employees and management in supporting mental health awareness; and

- provide unconscious bias training for directors and senior executives.

### HEALTH AND SAFETY AT WORK

During the past financial year, we have worked to shift the emphasis of our health and safety activities and reporting to the lead indicators that will drive proactive and safety focused thinking and behaviour along with identification, monitoring and mitigation of workplace risks. We strive to shift our health and safety performance from good to great and to create a culture of continuous improvement in managing the health, safety and wellbeing of our staff, contractors and customers.

Due to the customer and retail focus of our business, our key risks are strains, sprains, contusions and lacerations resulting from the manual nature of work processes. We mitigate these risks by automating activities where possible and by training staff and contractors in correct manual handling practices.

All of our New Zealand properties are Accident Compensation Corporation (ACC) Partnership Programme certified at a tertiary level and our Adelaide site is a registered self-insured employer. We are responsible for managing work injuries in accordance with the New Zealand Accident Compensation Corporation Act 2001 and the Return to Work Act 2014 in South Australia through ensuring we have appropriate work health and safety systems in place to minimise the incidence of work injuries.

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

Our Lost Time Injury Frequency Rate (LTIFR) is measured by calculating the number of injuries resulting in at least one full work day lost per million hours worked. In the past financial year, the LTIFR was 9.9 resulting from 78 injuries across our business – a significant reduction against the previous year (for the financial year ended 30 June 2016) where the LTIFR was 12.1 resulting from 98 injuries.



CELEBRATING RAINBOW TICK ACCREDITATION AT SKYCITY AUCKLAND

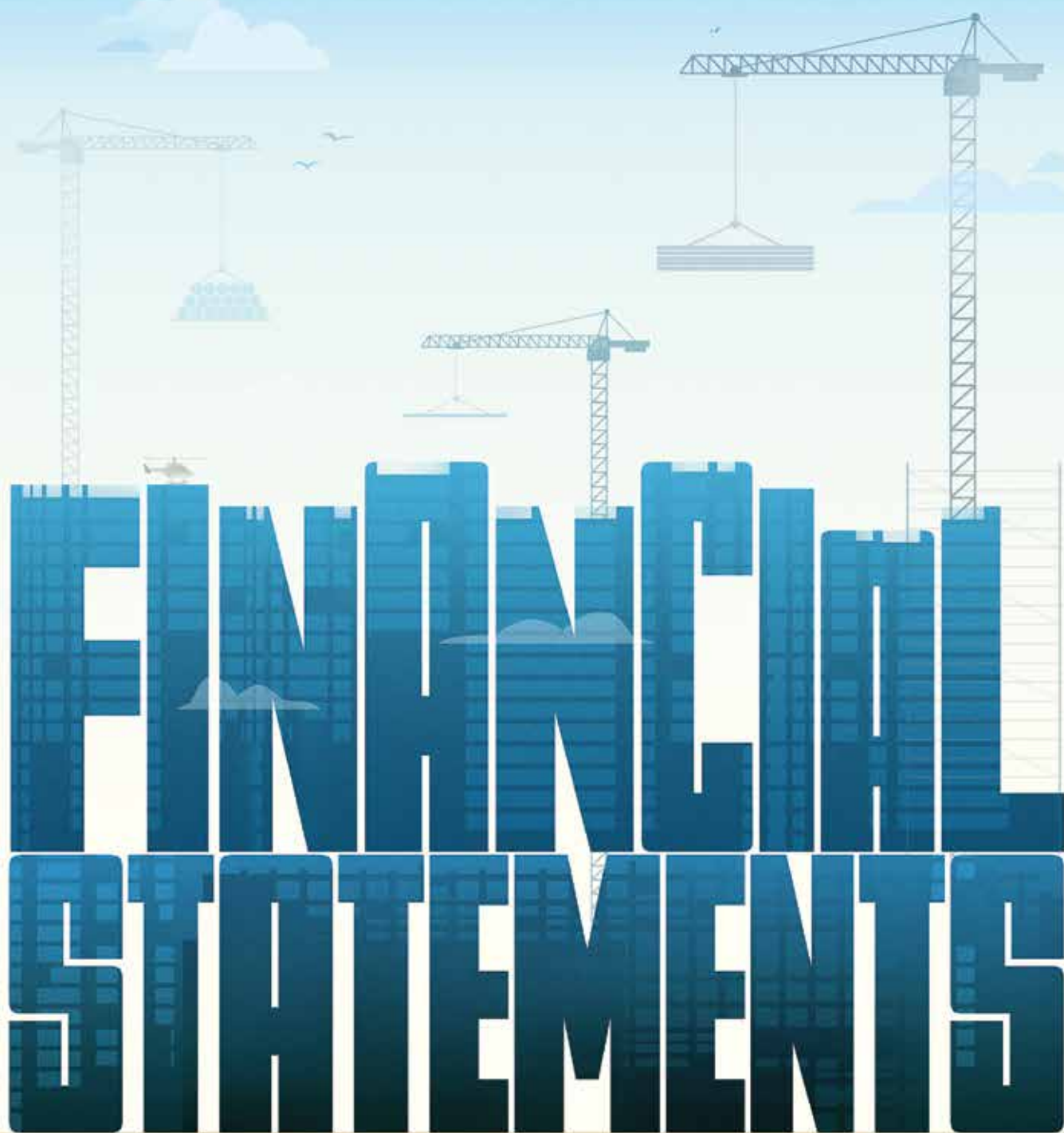
Our Total Reportable Incident Frequency Rate (TRIFR) is measured by calculating the number of medical treatment cases and lost time injuries per million hours worked. During the year under review, the TRIFR was 28.9 resulting from 230 injuries across our business – a slight increase against the previous year (for the financial year ended 30 June 2016) where the TRIFR was 24.4 resulting from 201 injuries.

SKYCITY's wellness programme continues to be strongly supported by our staff. The "Play Well" programme aims to encourage healthier behaviours and personal responsibility for health outcomes by providing support, information and skills training. The programme goals include improving staff health habits, increasing physical activity, reducing absenteeism and improving productivity.

During the past financial year, our Darwin property received the Australian Hotels Association Best Workplace Health and Safety Venue award and our Adelaide property is again a finalist in the Restaurant and Catering South Australia safety awards.

SKYCITY also continues its involvement in the New Zealand Health and Safety Business Leaders Forum.





# **AND NOTES**

For the year ended 30 June 2017





## INDEPENDENT AUDITOR'S REPORT

to the shareholders of SKYCITY Entertainment Group Limited.

The consolidated financial statements comprise:

- the balance sheet as at 30 June 2017;
- the income statement for the year then ended;
- statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include the significant accounting policies.

## OUR OPINION

In our opinion, the consolidated financial statements of SKYCITY Entertainment Group Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 June 2017, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

## BASIS FOR OPINION

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

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

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

Our firm carries out other services for the Group in the areas of tax compliance, tax advisory, accounting assistance, IT risks review and executive remuneration benchmarking. The provision of these other services has not impaired our independence as auditor of the Group.

## OUR AUDIT APPROACH

### Overview

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

Overall group materiality: \$9.7 million, which represents 5% of profit before tax, excluding the impact of the impairment charge of \$99.5 million made in relation to Darwin goodwill.

We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. The impact of the impairment charge was excluded from our materiality assessment as a one-off, non-cash expense which does not impact the underlying performance of the Group and therefore would not be considered by users in measuring the performance of the Group.



***Key audit matter***

- Consideration of the carrying value of goodwill and intangibles.

***Materiality***

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

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

***Audit scope***

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

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates. The structure of the Group means the majority of audit work for the Group is performed by the New Zealand Group audit team. We also utilise audit teams in Australia for specified procedures, as directed by the New Zealand Group audit team where local knowledge of the trading environment or the legal and regulatory environment is required.

**KEY AUDIT MATTERS**

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



Key audit matter	How our audit addressed the key audit matter
<p><b><i>Consideration of carrying value of goodwill and casino licence intangible assets</i></b></p> <p>The Group has goodwill and casino licence intangible assets totalling \$793 million.</p> <p>As noted in note 15 to the consolidated financial statements an assessment of the value in use of the goodwill and indefinite life casino licence intangible assets was made using discounted cash flow forecasts (DCF) for each cash generating unit (CGU).</p> <p>In preparing the DCFs management have made a number of judgements that can influence the value. The most significant of these judgements are disclosed within note 15 to the consolidated financial statements.</p> <p>In addition, as disclosed within note 15 of the consolidated financial statements an impairment assessment was also performed in relation to the Adelaide CGU which includes a definite life casino licence intangible asset using a DCF model.</p> <p>The assessments performed resulted in an impairment charge being made in relation to the Darwin CGU of \$99.5 million. For all other CGUs the recoverable amount was assessed as being higher than the current carrying value of net assets within each CGU.</p>	<p>We performed our own assessment of the discounted cash flow models used in the impairment assessment.</p> <p>In relation to the forecast cash flows we performed the following procedures:</p> <ul style="list-style-type: none"> <li>• compared the forecast cash flows used to the Board approved business plan;</li> <li>• understood the processes undertaken, controls over and basis for preparing the forecasts;</li> <li>• considered key assumptions, in particular the estimated future growth rates, by agreeing to supporting evidence from a mix of internal and external sources;</li> <li>• compared historical performance against budget, investigated material differences and considered the impact on future cash flow forecasts; and,</li> <li>• performed a sensitivity analysis on the cash flows to determine whether a reasonably possible change in assumptions could lead to a conclusion the asset is impaired.</li> </ul> <p>In relation to the Adelaide forecast we also performed the following:</p> <ul style="list-style-type: none"> <li>• understood and assessed the commercial prospects of achieving future plans by agreeing these to detailed supporting analyses prepared by management and comparing these against historic information for the Adelaide casino and industry.</li> </ul> <p>In relation to Darwin we assessed the range of possible outcomes as prepared by management, comparing forecast growth rates to historic performance and taking account of external information relevant to the Darwin CGU such as regulatory changes and macro-economic conditions. The impairment charge made fell within the range of possible outcomes we considered.</p> <p>We also considered the appropriateness of disclosures in relation to the valuation of intangible assets and associated impairment testing performed.</p>



## INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT

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

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

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

## AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

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

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at: [https://xrb.govt.nz/Site/Auditing\\_Assurance\\_Standards/Current\\_Standards/Page1.aspx](https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx)

This description forms part of our auditor's report.

## WHO WE REPORT TO

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

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

For and on behalf of:



Chartered Accountants  
8 August 2017

Auckland



FOR THE YEAR ENDED 30 JUNE 2017	NOTES	CONSOLIDATED	
		2017 \$'000	2016 \$'000
Total receipts including GST	3	1,052,145	1,131,526
Less non-gaming GST	3	(30,886)	(31,314)
Gaming win plus non-gaming revenue	3	1,021,259	1,100,212
Less gaming GST	3	(93,959)	(101,519)
<b>Revenue</b>	3	<b>927,300</b>	<b>998,693</b>
Other income	4	767	954
Employee benefits expense		(306,513)	(315,189)
Other expenses	5	(152,486)	(178,708)
Directors' fees		(1,161)	(1,124)
Restructuring costs		-	(1,553)
Gaming taxes		(41,860)	(44,750)
Direct consumables		(69,155)	(76,987)
Marketing and communications		(29,453)	(27,970)
Community contributions, levies and sponsorships		(20,429)	(19,439)
<b>Earnings before interest, taxes, depreciation and amortisation expenses (EBITDA)</b>		<b>307,010</b>	<b>333,927</b>
Impairment of goodwill	15	(99,486)	-
Depreciation and amortisation expense	5	(95,049)	(104,070)
<b>Earnings before interest and tax (EBIT)</b>		<b>112,475</b>	<b>229,857</b>
Net finance costs	8	(16,712)	(32,588)
<b>Profit before income tax</b>		<b>95,763</b>	<b>197,269</b>
Income tax expense	11	(50,901)	(51,597)
<b>Profit for the year attributable to shareholders of the company</b>		<b>44,862</b>	<b>145,672</b>
<b>Earnings per share for profit attributable to the shareholders of the company</b>		<b>CENTS</b>	<b>CENTS</b>
<b>Attributable to continuing operations:</b>			
Basic earnings per share	6	6.8	24.3
Diluted earnings per share	6	6.7	24.3

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

FOR THE YEAR ENDED 30 JUNE 2017	CONSOLIDATED	
	2017 \$'000	2016 \$'000
<b>Profit for the year</b>	<b>44,862</b>	<b>145,672</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	2,154	(22,952)
Cash flow hedges - revaluations of derivative financial instruments	(11,092)	(16,833)
Cash flow hedges - transfer to finance costs	10,952	11,950
Cash flow hedges - income tax	89	1,256
<b>Other comprehensive income for the year, net of tax</b>	<b>2,103</b>	<b>(26,579)</b>
<b>Total comprehensive income for the year attributable to shareholders of the company</b>	<b>46,965</b>	<b>119,093</b>

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

		CONSOLIDATED	
AS AT 30 JUNE 2017	NOTES	2017 \$'000	2016 \$'000
ASSETS			
Current assets			
Cash and bank balances	17	56,727	90,309
Receivables and prepayments	16	17,363	36,538
Derivative financial instruments	20	8,097	1,943
Inventories		7,037	7,705
Current tax receivables		2,068	6,915
Total current assets		91,292	143,410
Non-current assets			
Property, plant and equipment	14	1,324,577	1,223,062
Intangible assets	15	819,025	923,257
Derivative financial instruments	20	43,417	65,189
Total non-current assets		2,187,019	2,211,508
Total assets		2,278,311	2,354,918
LIABILITIES			
Current liabilities			
Payables	18	136,570	137,918
Interest-bearing liabilities	9	102,375	38,028
Current tax liabilities		13,741	-
Derivative financial instruments	20	2,554	1,471
Total current liabilities		255,240	177,417
Non-current liabilities			
Interest-bearing liabilities	10	289,404	389,032
Provisions		2,943	4,125
Derivative financial instruments	20	24,307	38,218
Deferred tax liabilities	12	80,021	78,688
Deferred licence value	15	555,459	554,396
Total non-current liabilities		952,134	1,064,459
Total liabilities		1,207,374	1,241,876
Net assets		1,070,937	1,113,042
EQUITY			
Share capital	19	1,100,792	1,055,737
Reserves		(63,370)	(65,473)
Retained earnings		33,515	122,778
Total equity		1,070,937	1,113,042

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

## STATEMENT OF CHANGES IN EQUITY



FOR THE YEAR ENDED 30 JUNE 2017	NOTES	SHARE CAPITAL \$'000	HEDGING RESERVE \$'000	FOREIGN CURRENCY TRANSLATION RESERVE \$'000	RETAINED EARNINGS \$'000	TOTAL EQUITY \$'000
CONSOLIDATED						
Balance as at 1 July 2015		758,800	(10,803)	(28,091)	97,016	816,922
Total comprehensive income/(expense)		-	(3,627)	(22,952)	145,672	119,093
Dividends provided for or paid	7	-	-	-	(119,910)	(119,910)
Shares issued under dividend reinvestment plan		39,352	-	-	-	39,352
Share rights issued for employee service		1,275	-	-	-	1,275
Net purchase of treasury shares		(375)	-	-	-	(375)
Issue of new share capital		256,685	-	-	-	256,685
Balance as at 30 June 2016		1,055,737	(14,430)	(51,043)	122,778	1,113,042
Balance as at 1 July 2016		1,055,737	(14,430)	(51,043)	122,778	1,113,042
Total comprehensive income/(expense)		-	(51)	2,154	44,862	46,965
Dividends provided for or paid	7	-	-	-	(134,125)	(134,125)
Shares issued under dividend reinvestment plan		44,511	-	-	-	44,511
Share rights issued for employee service		736	-	-	-	736
Net purchase of treasury shares		(192)	-	-	-	(192)
Balance as at 30 June 2017		1,100,792	(14,481)	(48,889)	33,515	1,070,937

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



FOR THE YEAR ENDED 30 JUNE 2017	NOTES	CONSOLIDATED	
		2017 \$'000	2016 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		938,820	978,683
Payments to suppliers and employees		(567,951)	(599,995)
		370,869	378,688
Gaming taxes and levies paid		(60,933)	(60,469)
Income taxes paid		(30,412)	(13,062)
<b>Net cash inflow from operating activities</b>	27	279,524	305,157
<b>Cash flows from investing activities</b>			
Purchase of/proceeds from property, plant and equipment		(154,617)	(147,955)
Payments for intangible assets		(3,970)	(8,562)
<b>Net cash outflow from investing activities</b>		(158,587)	(156,517)
<b>Cash flows from financing activities</b>			
Issue of new share capital	19	-	256,685
Cash flows associated with derivatives	20	(5,028)	2,839
New borrowings	10	10,000	125,000
Repayment of borrowings	10	(38,972)	(372,369)
Net purchase of treasury shares	19	(192)	(375)
Dividends paid to company shareholders	7	(89,614)	(80,558)
Interest paid		(30,713)	(42,785)
<b>Net cash outflow from financing activities</b>		(154,519)	(111,563)
<b>Net (decrease)/increase in cash and bank balances</b>		(33,582)	37,077
Cash and bank balances at the beginning of the year		90,309	53,232
<b>Cash and cash equivalents at end of year</b>	17	56,727	90,309

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

## 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

These consolidated financial statements were approved for issue by the board of directors on 8 August 2017.

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

### (a) Basis of Preparation

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

The Group has a negative working capital balance which includes US\$75 million of United States private placement notes which mature in March 2018 (refer to note 9). The Group has significant available undrawn committed banking facilities totalling \$604 million as at 30 June 2017 (refer to note 10) and has the ability to fully pay all debts as they fall due.

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

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 30 June 2017 and the results of all subsidiaries for the year then ended.

### *Statutory Base*

SKYCITY Entertainment Group Limited is a company registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules.

### *Measurement Basis*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of 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. Judgement is used in the determination of recoverable amount (or value in use) of goodwill and indefinite useful life casino licences.

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

There is sufficient headroom between the value in use calculations and the carrying value of the remaining assets that significant changes in the assumptions used would not require an impairment, except for Darwin (refer to note 15).

### (b) Principles of Consolidation

#### *Subsidiaries*

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

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

## (c) Foreign Currency Translation

### (i) Functional and Presentation Currency

Items included in the financial statements of each of the company's operations are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that operation (functional currency). The consolidated financial statements are presented in New Zealand dollars which is the Group's presentation currency.

### (ii) Transactions and Balances

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

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

### (iii) Foreign Operations

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

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

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

## (d) Goods and Services Tax (GST)

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

## (e) Statement of Cash Flows

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

## (f) New Accounting Standards Adopted in the Year

During the period the Group adopted NZ IFRS 9 Financial Instruments. As a result a limited number of disclosures have been added to these financial statements. There have been no changes to the measurement category and carrying amount of any financial assets or financial liabilities as a result of the adoption of NZ IFRS 9. There has been no material impact on the current and prior period income statements or balance sheets and therefore no comparative information has been amended.

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 July 2017 or later periods, but which the Group has not early adopted. The significant items are:

### • NZ IFRS 15, Revenue from Contracts with Customers

(Effective date: periods beginning on or after 1 January 2018). NZ IFRS 15, 'Revenue from Contracts with Customers', deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group intends to adopt NZ IFRS 15 from 1 July 2018 and is currently assessing its full impact.

• **NZ IFRS 16: Leases**

(Effective date: periods beginning on or after 1 January 2019). NZ IFRS 16, 'Leases', replaces the current guidance in NZ IAS 17.

Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15. The Group intends to adopt NZ IFRS 16 from 1 July 2019 and has yet to assess its full impact.

## 2 SEGMENT INFORMATION

### Accounting policy

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

#### (a) Primary reporting format – business segments

	SKYCITY AUCKLAND \$'000	REST OF NEW ZEALAND \$'000	ADELAIDE CASINO \$'000	SKYCITY DARWIN \$'000	INTER- NATIONAL BUSINESS \$'000	CORPORATE/ GROUP \$'000	TOTAL \$'000
<b>2017</b>							
Revenue from external customers and other income	514,642	63,056	144,832	110,712	94,825	-	928,067
Expenses	(263,349)	(37,884)	(123,691)	(82,646)	(89,164)	(24,323)	(621,057)
Impairment of goodwill	-	-	-	(99,486)	-	-	(99,486)
Depreciation and amortisation	(50,817)	(5,690)	(17,809)	(13,809)	-	(6,924)	(95,049)
Segment profit/EBIT	200,476	19,482	3,332	(85,229)	5,661	(31,247)	112,475
Net finance costs							(16,712)
Profit before income tax							95,763
Segment assets	1,119,935	56,632	475,169	229,461	-	397,114	2,278,311
Net additions to non-current assets (other than financial assets and deferred tax)	48,130	5,028	23,042	7,890	-	105,127	189,217
<b>2016</b>							
Revenue from external customers and other income	507,021	59,370	152,993	117,872	162,391	-	999,647
Expenses	(255,862)	(34,826)	(125,001)	(80,779)	(125,052)	(44,200)	(665,720)
Depreciation and amortisation	(55,961)	(8,310)	(18,603)	(14,591)	-	(6,605)	(104,070)
Segment profit/EBIT	195,198	16,234	9,389	22,502	37,339	(50,805)	229,857
Net finance costs							(32,588)
Profit before income tax							197,269
Segment assets	1,139,778	60,337	465,962	336,931	-	351,910	2,354,918
Net additions to non-current assets (other than financial assets and deferred tax)	84,486	2,331	20,940	10,961	-	52,170	170,888



## (b) Secondary reporting format – geographical segments

	SEGMENT REVENUES		NON-CURRENT ASSETS EXCLUDING FINANCIAL INSTRUMENTS	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
New Zealand	656,928	672,522	1,480,510	1,385,937
Australia	270,372	326,171	663,092	760,382
	927,300	998,693	2,143,602	2,146,319

## (c) Description of segments

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

The Group is organised into the following main operating segments:

### **SKYCITY Auckland**

SKYCITY Auckland includes casino operations, hotels and conventions, food and beverage, car parking, Sky Tower and a number of other related activities and excludes International Business customers.

### **Rest of New Zealand**

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

### **Adelaide Casino**

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

### **SKYCITY Darwin**

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

### **International Business**

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

### **Corporate/Group**

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

In the current period, certain intra-company costs such as IT and sponsorships of \$11 million have been reallocated from Corporate/Group to the business units. This reallocation is intended to more appropriately allocate costs to associated revenues.

### 3 REVENUE

#### Accounting policy

Revenues include casino, hotel and conventions, food and beverage, Sky Tower, car parking and other revenues. Casino revenues represent the net win to the casino from gaming activities, being the difference between amounts wagered and amounts won by casino patrons.

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

	2017 \$'000	2016 \$'000
Total receipts including GST	1,052,145	1,131,526
Less non-gaming GST	(30,886)	(31,314)
Gaming win plus non-gaming revenue	1,021,259	1,100,212
Less gaming GST	(93,959)	(101,519)
<b>Total revenue</b>	<b>927,300</b>	<b>998,693</b>
Gaming	704,854	773,074
Non-gaming	222,446	225,619
<b>Total revenue</b>	<b>927,300</b>	<b>998,693</b>

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

### 4 OTHER INCOME

	2017 \$'000	2016 \$'000
Net gain on disposal of property, plant and equipment	762	944
Dividend income	5	10
	<b>767</b>	<b>954</b>

## 5 EXPENSES

	2017 \$'000	2016 \$'000
<b>Other expenses includes:</b>		
Utilities, insurance and rates	23,584	24,173
Other property expenses	15,039	14,673
Other items (including International Business commissions)	101,616	131,898
Minimum lease payments relating to operating leases	4,587	4,876
Provision for bad and doubtful debts	7,660	3,088
<b>Total other expenses</b>	<b>152,486</b>	<b>178,708</b>
<b>Depreciation and amortisation</b>		
Depreciation	82,766	91,467
Casino licence amortisation (Adelaide)	5,533	5,696
Computer software amortisation	6,750	6,907
<b>Total depreciation and amortisation</b>	<b>95,049</b>	<b>104,070</b>

### Auditor's fees

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

The Group employs PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important and auditor independence is not impaired. These assignments are principally tax advice and tax compliance. For other work, the company's External Audit Independence Policy requires that advisers other than PricewaterhouseCoopers should be engaged wherever practical. Other assurance services are defined by the Group where PricewaterhouseCoopers provide assistance with the Group's internal compliance or risk activities.

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

	2017 \$'000	2016 \$'000
<b>(a) Assurance services</b>		
<b>Audit services</b>		
Group Audit	837	856
<b>Total remuneration for audit services</b>	<b>837</b>	<b>856</b>
<b>Other assurance services</b>		
Accounting advice and assistance	27	27
IT risk review	48	-
Tax compliance services	100	95
<b>Total remuneration for other assurance services</b>	<b>175</b>	<b>122</b>
<b>Total remuneration for assurance services</b>	<b>1,012</b>	<b>978</b>
<b>(b) Other services</b>		
Taxation advisory services	322	324
Executive benchmarking assistance	72	71
<b>Total remuneration for taxation services</b>	<b>394</b>	<b>395</b>
<b>Total fees expense</b>	<b>1,406</b>	<b>1,373</b>

During the year the Group completed a tender for the external auditor appointment. Following the completion of this competitive process PricewaterhouseCoopers were reappointed.

## 6 EARNINGS PER SHARE

### Accounting policy

#### (i) Basic earnings per share

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

#### (ii) Diluted earnings per share

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

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
<b>Basic earnings per share</b>		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	44,862	145,672
<b>Diluted earnings per share</b>		
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	44,500	145,672
	2017 NUMBER	2016 NUMBER
Weighted average number of ordinary shares in issue	662,207,364	598,489,211
<b>Adjustments for calculation of diluted earnings per share:</b>		
Share rights and options	2,623,124	-
Weighted average number of ordinary shares for diluted earnings per share	664,830,488	598,489,211



## 7 DIVIDENDS

### Accounting policy

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

	2017 \$'000	2016 \$'000
Prior year final dividend	68,457	58,216
Current year interim dividend	65,668	61,694
Total dividends provided for or paid	134,125	119,910
Cents per share		
Prior year final dividend (per share)	10.5	10.0
Current year interim dividend (per share)	10.0	10.5

On 8 August 2017, the directors resolved to declare a final dividend of 10.0 cents per share in respect of the year ended 30 June 2017 (refer to note 28 for further details).

## 8 NET FINANCE COSTS

	2017 \$'000	2016 \$'000
Finance costs	32,303	43,501
Exchange (gains)/losses	(534)	(709)
Interest income	(1,187)	(1,529)
Capitalised interest (refer to Property, Plant and Equipment note 14)	(13,870)	(8,675)
Net finance costs	16,712	32,588

## 9 CURRENT LIABILITIES - INTEREST-BEARING LIABILITIES

### Accounting policy

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

	2017 \$'000	2016 \$'000
United States private placement notes	102,375	38,028

Refer to note 10(a) for details concerning the US private placement notes.

## 10 NON-CURRENT LIABILITIES - INTEREST-BEARING LIABILITIES

### Accounting policy

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

	2017 \$'000	2016 \$'000
<b>Unsecured</b>		
United States private placement notes	157,627	267,606
Syndicated bank facility	10,000	-
New Zealand bonds	125,000	125,000
Deferred funding expenses	(3,223)	(3,574)
<b>Total non-current interest-bearing liabilities</b>	<b>289,404</b>	<b>389,032</b>

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

As at 30 June 2017, SKYCITY had US\$175.0 million and NZ\$21.1 million of USPP notes outstanding:

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

Movements in the outstanding balance in the current year relate to repayment of US\$27.0 million in March 2017 and foreign exchange rate movements.

The US dollar USPP notes have been hedged to New Zealand dollars or Australian dollars by way of cross currency interest rate swaps to eliminate foreign exchange exposure to the US dollar. The offsetting changes in the value of the cross currency interest rate swaps are included within derivative financial instruments in note 20.

Fair value of USPP debt is estimated at NZ\$283.2 million compared to a carrying value of NZ\$260.0 million. Fair value has been calculated based on the present value of future principal and interest cash flows, using market interest rates and credit margins at balance date. Fair value is calculated using inputs other than quoted prices that are observable for the liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This is a level 2 valuation.

### (b) Syndicated Bank Facility

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

As at 30 June 2017, SKYCITY had in place revolving credit facilities of:

- NZ\$200.0 million maturing 30 June 2020
- NZ\$120.0 million maturing 15 March 2021
- A\$280.0 million maturing 31 March 2022

During the year the A\$250.0 million tranche maturing 30 June 2019 was increased to A\$280.0 million and the maturity date was extended to 31 March 2022.

### (c) New Zealand Bond

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

The bonds are quoted on the NZDX. As at 30 June 2017, the closing price was \$1.01635 per \$1 bond. The bonds are carried at amortised cost. The total fair value is \$127.0 million and is a level 1 valuation as they are listed securities.

#### (d) Negative Pledge Deeds

A negative pledge deed has been executed in relation to each of the funding facilities; bank, USPP and New Zealand bonds. In each deed are requirements for minimum guarantee group participation as well as financial covenants. All requirements of the negative pledge deeds have been met as at 30 June 2017.

#### (e) Weighted average interest rate as at 30 June

	2017		2016	
	%	\$'000	%	\$'000
Interest-bearing liabilities*	6.70%	395,002	6.61%	430,634

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

## 11 INCOME TAX EXPENSE

#### Accounting policy

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

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

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

	2017 \$'000	2016 \$'000
<b>(a) Income Tax Expense</b>		
Current tax	49,467	52,519
Deferred tax	1,434	(922)
Income tax expense	50,901	51,597

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

Profit from continuing operations before income tax expense	95,763	197,269
Prima facie income tax @ 28%	26,814	55,235
Tax effects of:		
Expenses not deductible for tax purposes	2,687	959
Foreign exchange rate differences	(433)	(307)
Share of partnership expenditure	(6,213)	(6,549)
Differences in overseas tax rates	(2,023)	111
Non-deductible loss on disposal	-	2,106
Impairment of goodwill	30,083	-
(Over)/under provision in prior years	(14)	42
Income tax expense	50,901	51,597

The weighted average applicable tax rate was 53.2% (2016: 26.2%).

## 12 DEFERRED TAX LIABILITIES

	2017 \$'000	2016 \$'000
<b>The balance comprises temporary differences attributable to:</b>		
Provision and accruals	(14,378)	(15,747)
Depreciation	106,282	103,694
Foreign exchange variances	521	(3,387)
Tax losses (Australian operations)	(6,476)	-
Cashflow hedges	(5,542)	(5,450)
Other	(386)	(422)
Net deferred tax liabilities	80,021	78,688
<b>Movements:</b>		
Balance at the beginning of the year	78,688	80,613
Charged to the income statement (note 11)	1,434	(922)
Debited to equity reserves	(89)	(1,256)
Foreign exchange differences	(12)	253
Closing balance at 30 June	80,021	78,688

## 13 IMPUTATION AND FRANKING CREDITS

	2017 \$'000	2016 \$'000
<b>Balances available for use in subsequent reporting periods</b>		
Imputation credit account (New Zealand)	52,034	15,534
Franking credit account (Australia)	3,870	6,106

As required by relevant tax legislation, the imputation credit account had a credit balance as at 31 March 2017.

## 14 PROPERTY, PLANT AND EQUIPMENT

### Accounting policy

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

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

Buildings and fitout	5–75 years
Plant, equipment and motor vehicles	2–75 years
Fixtures and fittings	3–20 years

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



An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

	LAND \$'000	BUILDINGS AND FITOUT \$'000	PLANT, EQUIPMENT AND MOTOR VEHICLES \$'000	FIXTURES AND FITTINGS \$'000	CAPITAL WORK IN PROGRESS \$'000	TOTAL \$'000
<b>CONSOLIDATED</b>						
<b>At 1 July 2015</b>						
Cost	191,712	956,334	401,285	124,221	138,101	1,811,653
Accumulated depreciation	-	(280,480)	(284,442)	(72,483)	-	(637,405)
Net book amount	191,712	675,854	116,843	51,738	138,101	1,174,248
<b>Year ended 30 June 2016</b>						
Opening net book amount	191,712	675,854	116,843	51,738	138,101	1,174,248
Exchange differences	(1,941)	(12,908)	(3,124)	(996)	(3,077)	(22,046)
Net additions/transfers	-	44,498	61,956	12,410	43,463	162,327
Depreciation charge (note 5)	-	(38,769)	(40,864)	(11,834)	-	(91,467)
Closing net book amount	189,771	668,675	134,811	51,318	178,487	1,223,062
<b>At 30 June 2016</b>						
Cost	189,771	962,623	384,212	121,093	178,487	1,836,186
Accumulated depreciation	-	(293,948)	(249,401)	(69,775)	-	(613,124)
Net book amount	189,771	668,675	134,811	51,318	178,487	1,223,062
<b>Year ended 30 June 2017</b>						
Opening net book amount	189,771	668,675	134,811	51,318	178,487	1,223,062
Exchange differences	89	589	146	42	158	1,024
Net additions/transfers	16	13,541	35,411	8,171	126,118	183,257
Depreciation charge (note 5)	-	(27,014)	(43,752)	(12,000)	-	(82,766)
Closing net book amount	189,876	655,791	126,616	47,531	304,763	1,324,577
<b>At 30 June 2017</b>						
Cost	189,876	976,690	412,569	128,629	304,763	2,012,527
Accumulated depreciation	-	(320,899)	(285,953)	(81,098)	-	(687,950)
Net book amount	189,876	655,791	126,616	47,531	304,763	1,324,577

#### (a) Capitalised borrowing costs

Borrowing costs of \$13,869,753 have been capitalised in the current year relating to capital projects (2016: \$8,674,989) using the Group's weighted average cost of debt of 6.98% (2016: 6.03%).

#### (b) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities was \$390.9 million (2016: \$477.6 million). The majority of the 2017 capital commitment relates to the construction of the New Zealand International Convention Centre and the Hobson Street hotel.

#### (c) Encumbrances

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

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

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

## 15 INTANGIBLE ASSETS

### Accounting policy

#### (i) *Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business/associate at the date of acquisition. Goodwill on acquisitions of businesses is included in Intangible Assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses.

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

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

#### (ii) *Casino licences*

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

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

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

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

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

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

#### (iv) *Acquired software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life (three to seven years) on a straight line basis.

	GOODWILL \$'000	CASINO LICENCES \$'000	COMPUTER SOFTWARE \$'000	TOTAL \$'000
<b>At 1 July 2015</b>				
Cost	142,236	429,994	79,054	651,284
Accumulated amortisation	-	(41,876)	(53,379)	(95,255)
Net book amount	142,236	388,118	25,675	556,029
<b>Movements in the year ended 30 June 2016</b>				
Exchange differences	(7,298)	(26,081)	(352)	(33,731)
Additions	-	405,000	8,562	413,562
Amortisation charge	-	(5,696)	(6,907)	(12,603)
Closing net book amount	134,938	761,341	26,978	923,257
<b>At 30 June 2016</b>				
Cost	134,938	805,818	86,670	1,027,426
Accumulated amortisation	-	(44,477)	(59,692)	(104,169)
Net book amount	134,938	761,341	26,978	923,257
<b>Movements in the year ended 30 June 2017</b>				
Exchange differences	334	1,226	17	1,577
Additions	-	-	5,960	5,960
Impairment charge	(99,486)	-	-	(99,486)
Amortisation charge	-	(5,533)	(6,750)	(12,283)
Closing net book amount	35,786	757,034	26,205	819,025
<b>At 30 June 2017</b>				
Cost	135,272	807,152	92,829	1,035,253
Accumulated amortisation	(99,486)	(50,118)	(66,624)	(216,228)
Net book amount	35,786	757,034	26,205	819,025

**Casino Licence****Contract Term**

SKYCITY  
Auckland Casino  
(indefinite useful life)

SKYCITY Auckland Limited holds a Casino Premises Licence for the Auckland premises.

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

Pursuant to the terms of the New Zealand International Convention Centre Project and Licensing Agreement between Her Majesty the Queen in Right of New Zealand and the Company dated 5 July 2013 (NZICC Agreement), the initial term of the licence was extended to 30 June 2048.

The licence can be renewed for further periods of 15 years pursuant to section 138 of the Gambling Act 2003 (NZ).

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

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

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

The carrying value of the casino licence is \$405 million (FY16: \$405 million).

Adelaide Casino  
(finite useful life)

The casino and associated operations are carried out by SKYCITY Adelaide Pty Limited under a casino licence (the Approved Licensing Agreement (ALA)) dated October 1999 (as amended). Unless terminated earlier, the expiry date of the ALA is 30 June 2085. The term of the ALA can be renewed for a further fixed term pursuant to section 9 of the Casino Act 1997 (SA). The carrying value of the casino licence is amortised over the life of the ALA.

The asset is amortised over 20 years or 71 years depending on whether the incremental benefit is associated with the exclusivity period or the full licence period.

The carrying value of the casino licence is A\$298.8 million (FY16: A\$304.0 million).

SKYCITY  
Darwin Casino  
(indefinite useful life)

The casino and associated operations are carried out by SKYCITY Darwin Pty Limited under a casino licence/operator agreement (the Casino Operator's Agreement) with the Northern Territory Government. The current licence term was extended in 2011 and now expires on 30 June 2031. The Casino Operator's Agreement is subject to extension for a further 5 years once its period to maturity reaches 15 years. These licence extensions apply on a continuing 5 year basis so that, subject to certain criteria being met, the licence period is never less than 15 years. The carrying value of the casino licence is A\$31.7 million (FY16: A\$31.7 million).

SKYCITY  
Hamilton Casino  
(indefinite useful life)

SKYCITY Hamilton Limited holds a Casino Premises Licence for the Hamilton premises. The Casino Premises Licence is for an initial 25 year term from 19 September 2002. The licence can be renewed for further periods of 15 years pursuant to section 138 of the Gambling Act 2003 (NZ). As the licence was initially granted for nil consideration, there is no associated carrying value.

SKYCITY  
Queenstown Casino  
(indefinite useful life)

Queenstown Casinos Limited holds a Casino Premises Licence for these Queenstown premises. The Casino Premises Licence is for an initial 25 year term from 7 December 2000. The licence can be renewed for further periods of 15 years pursuant to section 138 of the Gambling Act 2003 (NZ). As the licence was initially granted for nil consideration, there is no associated carrying value.

SKYCITY  
Wharf Casino  
(Queenstown)  
(indefinite useful life)

Otago Casinos Limited holds a Casino Premises Licence for these Queenstown premises. The Casino Premises Licence is for an initial 25 year term from 11 September 1999. The licence can be renewed for further periods of 15 years pursuant to section 138 of the Gambling Act 2003 (NZ). The carrying value of the casino licence which arose on SKYCITY's acquisition of Otago Casinos Limited is \$4.4 million (FY16: \$4.4 million).

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



The deferred licence value relating to Auckland (\$405.0 million) and Adelaide (NZ\$150.5 million, 2016: NZ\$149.4 million) included within non-current liabilities will be transferred and offset against property, plant and equipment when the New Zealand International Convention Centre and Adelaide redevelopment, respectively, have been completed.

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

	SKYCITY AUCKLAND \$'000	OTAGO CASINOS LIMITED* \$'000	SKYCITY HAMILTON* \$'000	SKYCITY DARWIN \$'000	TOTAL \$'000
<b>2017</b>					
Goodwill	-	-	35,786	-	35,786
Casino Licence	405,000	4,391	-	33,374	442,765
<b>Total</b>	<b>405,000</b>	<b>4,391</b>	<b>35,786</b>	<b>33,374</b>	<b>478,551</b>
<b>2016</b>					
Goodwill	-	-	35,786	99,152	134,938
Casino Licence	405,000	4,391	-	33,262	442,653
<b>Total</b>	<b>405,000</b>	<b>4,391</b>	<b>35,786</b>	<b>132,414</b>	<b>577,591</b>

The recoverable amount of a cash generating unit is determined based on value in use calculations. These calculations use cash flow projections approved by directors which include cash flows in relation to International Business where those cash flows relate to the relevant Cash Generating Unit. There is a surplus between the calculated value in use and the carrying value for each asset except Darwin.

\*SKYCITY Hamilton and Otago Casinos Limited are included within the "Rest of New Zealand" segment in note 2.

The movement in goodwill is as follows:

	CONSOLIDATED	
	2017 \$'000	2016 \$'000
Balance at 1 July	134,938	142,236
Impairment charge	(99,486)	-
Exchange differences	334	(7,298)
<b>Balance at 30 June</b>	<b>35,786</b>	<b>134,938</b>

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

	EBITDA MARGIN		GROWTH RATE		DISCOUNT RATE	
	2017	2016	2017	2016	2017	2016
SKYCITY Auckland	40.9%	41.4%	2.0%	2.0%	9.5%	9.5%
SKYCITY Hamilton	43.5%	42.6%	2.0%	2.0%	9.5%	9.5%
SKYCITY Darwin	23.3%	28.1%	-	2.0%	9.5%	9.5%

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

**(c) Impairment charge**

In the current year, an impairment of the goodwill associated with SKYCITY Darwin of A\$94.6 million has been recognised. The write-off of Darwin's goodwill is primarily attributable to increased competitive pressures in the gaming machine business. This stems from the unforeseen policy decision in December 2014 by the previous Northern Territory Government to remove the cap on gaming machines in the Territory. Since the implementation of that policy in July 2015 there has been a 75% increase in the number of gaming machines in Darwin (outside of the casino). This significant increase in competing gaming machines in the catchment area of the casino has consequently had an increasingly adverse impact on revenue and earnings at SKYCITY Darwin since the beginning of 2016.

**(d) Adelaide Casino licence**

The Adelaide Casino licence is a finite life intangible asset which is amortised annually. There is no requirement to formally review this licence for impairment, however, given the recent Adelaide performance an impairment review was completed in the current year.

Following this review no impairment charge is required. While the headroom is not currently significant it is expected to grow in the future as the asset is amortised over time.

## 16 RECEIVABLES AND PREPAYMENTS

**Accounting policy**

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

	2017 \$'000	2016 \$'000
Trade receivables (net)	11,882	30,627
Sundry receivables	5,481	5,911
Total receivables and prepayments	17,363	36,538

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

## 17 CASH AND BANK BALANCES

	2017 \$'000	2016 \$'000
Cash at bank	11,526	40,358
Cash in house	45,201	49,951
Total cash and bank balances	56,727	90,309

## 18 PAYABLES

### Accounting policy

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

	2017 \$'000	2016 \$'000
Trade payables	16,945	23,789
Deferred income	2,426	2,075
Accrued expenses	79,966	65,322
Employee benefits	37,233	46,732
<b>Total payables</b>	<b>136,570</b>	<b>137,918</b>

## 19 SHARE CAPITAL

	2017 SHARES	2016 SHARES	2017 \$'000	2016 \$'000
Opening balance of ordinary shares issued	656,986,761	587,472,741	1,055,737	758,800
Issue of new share capital	-	59,720,271	-	256,685
Share rights issued for employee services	-	-	736	1,275
Employee share entitlements issued	204,689	979,177	-	-
Treasury shares issued	(204,689)	(979,177)	-	-
Net issue/(purchase) of treasury shares	-	-	(192)	(375)
Shares issued under dividend reinvestment plan	10,389,762	9,793,749	44,511	39,352
<b>Closing balance of ordinary shares issued</b>	<b>667,376,523</b>	<b>656,986,761</b>	<b>1,100,792</b>	<b>1,055,737</b>

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

Included within the number of shares is 5,515,841 treasury shares (2016: 5,720,530) 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 to note 22). Treasury shares may be used to issue shares under the company's employee incentive plans or upon the exercise of share rights/options.

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

## 20 DERIVATIVE FINANCIAL INSTRUMENTS

### Accounting policy

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged. The Group designates certain derivatives as either:

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

### Fair value hedge

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

### Cash flow hedge

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

Amounts accumulated in equity are recycled in the Income Statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place).

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the Income Statement when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is transferred to the Income Statement.

### Derivatives that do not qualify for hedge accounting

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

	NOTIONAL VALUE		FAIR VALUE	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
<b>Current assets</b>				
Cross-currency interest rate swaps - cash flow hedges	102,375	38,028	6,384	1,492
Forward foreign exchange contracts	81,078	113,208	1,713	451
<b>Total current derivative financial instrument assets</b>	<b>183,453</b>	<b>151,236</b>	<b>8,097</b>	<b>1,943</b>
<b>Non-current assets</b>				
Interest rate swaps - cash flow hedges	100,517	-	2,275	-
Cross-currency interest rate swaps - cash flow hedges	106,308	211,585	41,142	65,189
<b>Total non-current derivative financial instrument assets</b>	<b>206,825</b>	<b>211,585</b>	<b>43,417</b>	<b>65,189</b>
<b>Current liabilities</b>				
Forward foreign currency contracts	71,959	18,165	362	176
Interest rate swaps - cash flow hedges	98,100	38,000	2,192	1,295
<b>Total current derivative financial instrument liabilities</b>	<b>170,059</b>	<b>56,165</b>	<b>2,554</b>	<b>1,471</b>
<b>Non-current liabilities</b>				
Interest rate swaps - cash flow hedges	456,450	497,224	24,307	38,218
<b>Total non-current derivative financial instrument liabilities</b>	<b>456,450</b>	<b>497,224</b>	<b>24,307</b>	<b>38,218</b>
<b>Total net derivative financial instrument assets</b>			<b>26,861</b>	<b>39,689</b>



## 21 FINANCIAL RISK MANAGEMENT

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

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

### (a) Market risk

#### (i) Currency risk

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

The Group utilises natural hedges wherever possible with forward foreign exchange contracts used to manage any significant residual risk to the income statement.

The Group's exposure to the US dollar (refer to US private placement notes detailed in note 10) has been fully hedged by way of cross currency interest rate swaps (CCIRS), hedging US dollar exposure on both principal and interest. The CCIRS correspond in amount and maturity to the US dollar borrowings with no residual US dollar exposure.

#### (ii) Interest rate risk

The Group's interest rate risk arises from long-term borrowings.

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

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

#### (iii) Summarised sensitivity analysis

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

### (b) Credit risk

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

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

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

International Business activity is managed in accordance with accepted industry practice. Settlement risk associated with International Business customers is minimised through credit checking and a formal review and approval process.

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

### (c) Liquidity risk

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

#### *Maturities of Committed Funding Facilities*

Debt maturities are detailed in note 10.

### (d) Fair value estimation

The financial instruments are measured in the balance sheet at fair value by level of the fair value measurement hierarchy:

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

Other than the New Zealand bonds, which are listed on the NZDX and therefore level 1, all SKYCITY financial instruments, which includes cross-currency interest rate swaps, interest rate swaps and forward foreign currency contracts, are valued using level 2 in the above fair value measurement hierarchy.

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

Specific valuation techniques used to value financial instruments include:

- The fair value of interest rate swaps and cross currency interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves; and
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

Further details on derivatives are provided in note 20.

### (e) Capital risk management

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

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

The Group primarily manages capital on the basis of gearing measured as a ratio of net debt (debt at hedged exchange rates less cash at bank) to EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) and interest coverage (EBITDA relative to net interest cost).

The primary ratios were as follows at 30 June:

	2017	2016
Gearing ratio	1.1 x	1.1 x
Interest coverage	10.3 x	7.9 x

These types of ratios are consistent with the financial covenants in the Group's various funding facilities. Actual gearing ratio and interest cover as at 30 June 2017 were within covenant limits on funding facilities.

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

## 22 SHARE-BASED PAYMENTS

### Accounting policy

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

### (a) Current plans

#### 2009 Executive Long Term Incentive Plan

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

At the end of the restricted period (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 relative to other comparable companies.

At 30 June 2017, the interest free loans on the Executive Long Term Incentive Plan total \$8,712,764 (2016: \$9,155,468).

#### 2017 Chief Executive Officer commencement shares

Effective 4 November 2016, the newly appointed Chief Executive Officer was granted 325,000 ordinary shares to be issued on 3 November 2018. There are no performance targets associated with these shares, and there is no right to dividends in the intervening period.

### (b) Outstanding rights and shares

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

GRANT DATE	EXPIRY DATE	BALANCE AT START OF THE YEAR NUMBER	GRANTED DURING THE YEAR NUMBER	EXERCISED DURING THE YEAR NUMBER	EXPIRED DURING THE YEAR NUMBER	BALANCE AT END OF THE YEAR NUMBER
<b>2017</b>						
29/08/12	29/08/16	400,100	-	-	(400,100)	-
28/08/13	28/08/17	818,750	-	(204,689)	(120,937)	493,124
27/08/14	27/08/18	780,000	-	-	(115,000)	665,000
26/08/15	28/08/19	620,000	-	-	(105,000)	515,000
24/08/16	24/08/20	-	685,000	-	(60,000)	625,000
04/11/16	03/11/18	-	325,000	-	-	325,000
Total		2,618,850	1,010,000	(204,689)	(801,037)	2,623,124
<b>2016</b>						
31/08/11	31/08/15	545,200	-	-	(545,200)	-
29/08/12	02/03/15	667,300	-	-	(267,200)	400,100
28/08/13	28/08/17	2,398,008	-	(979,177)	(600,081)	818,750
27/08/14	27/08/18	880,000	-	-	(100,000)	780,000
28/08/15	28/08/19	-	620,000	-	-	620,000
Total		4,490,508	620,000	(979,177)	(1,512,481)	2,618,850

The weighted average remaining contractual life of rights outstanding at the end of the period was 1.67 years (2016: 1.79 years).

### ***Fair value of share rights granted***

The assessed fair value at grant date of the rights granted on 24 August 2016 was \$1.56 (26 August 2015 was \$1.10). This was calculated using the single index model by Ernst & Young Transaction Advisory Services Limited.

The valuation inputs for the rights granted on 24 August 2016 included:

- (a) rights are granted for no consideration
- (b) exercise price: nil (2016: nil)
- (c) share price at grant date: \$4.94 (2016: \$4.05)

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

### ***Fair value of Chief Executive Officer commencement shares granted***

The assessed fair value at grant date of the commencement shares granted on 4 November 2016 was \$2.68. This was calculated using the European call option model by Ernst & Young Transaction Advisory Services Limited.

The valuation inputs for the commencement shares granted on 4 November 2016 included:

- (a) granted for no consideration
- (b) exercise price: nil
- (c) share price at grant date: \$3.62

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

### **(c) Expenses arising from share-based payment transactions**

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2017 \$'000	2016 \$'000
Rights issued under Share Rights Plans	736	1,275

## **23 RELATED PARTY TRANSACTIONS**

There are no bad or doubtful debts associated with any related party of the Group (2016: nil).

### **(a) Key management personnel compensation**

Key management compensation is set out below. The key management personnel are all the directors of the company, the Chief Executive Officer, the Interim Chief Executive Officer and the Senior Leadership Team.

	SHORT-TERM BENEFITS \$'000	SHARE-BASED PAYMENTS \$'000	TOTAL \$'000
2017	5,668	398	6,066
2016	12,191	900	13,091

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

Certain directors and management have relevant interests in a number of companies with which SKYCITY has transactions in the normal course of business. A number of SKYCITY directors are also non-executive directors of other companies, and a register of directors' interests is maintained. Any transactions undertaken with these entities have been entered into on an arm's length commercial basis.

### **(c) Subsidiaries**

Interests in subsidiaries are set out in note 24.

## 24 SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

NAME OF ENTITY	PRINCIPAL PLACE OF BUSINESS	CLASS OF SHARES	EQUITY HOLDING	
			2017	2016
New Zealand International Convention Centre Limited	New Zealand	Ordinary	100%	100%
Otago Casinos Limited	New Zealand	Ordinary	100%	100%
Queenstown Casinos Limited	New Zealand	Ordinary	100%	100%
Sky Tower Limited	New Zealand	Ordinary	100%	100%
SKYCITY Action Management Limited	New Zealand	Ordinary	100%	100%
SKYCITY Auckland Holdings Limited	New Zealand	Ordinary	100%	100%
SKYCITY Auckland Limited	New Zealand	Ordinary	100%	100%
SKYCITY Casino Management Limited	New Zealand	Ordinary	100%	100%
SKYCITY Hamilton Limited	New Zealand	Ordinary	100%	100%
SKYCITY International Holdings Limited	New Zealand	Ordinary	100%	100%
SKYCITY Investments Australia Limited	New Zealand	Ordinary	100%	100%
SKYCITY Investments Queenstown Limited	New Zealand	Ordinary	100%	100%
SKYCITY Management Limited	New Zealand	Ordinary	100%	100%
SKYCITY Metro Limited	New Zealand	Ordinary	-	100%
SKYCITY Wellington Limited	New Zealand	Ordinary	100%	100%
SKYCITY Adelaide Pty Limited	Australia	Ordinary	100%	100%
SKYCITY Australia Finance Pty Limited	Australia	Ordinary	100%	100%
SKYCITY Australian Limited Partnership	Australia	Ordinary	100%	100%
SKYCITY Australia Pty Limited	Australia	Ordinary	100%	100%
SKYCITY Darwin Pty Limited	Australia	Ordinary	100%	100%
SKYCITY Treasury Australia Pty Limited	Australia	Ordinary	100%	100%
Horizon Tourism Limited	Hong Kong	Ordinary	100%	100%
SKYCITY Investment Holdings Limited	Hong Kong	Ordinary	100%	100%

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

## 25 CONTINGENCIES

There are no significant contingencies at year end (2016: nil).



## 26 COMMITMENTS

### Operating Lease Commitments

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

	2017 \$'000	2016 \$'000
Within one year	4,266	4,923
Later than one year but not later than five years	11,754	14,110
Later than five years	329,565	288,822
Total operating lease commitments (not recognised in the financial statements)	345,585	307,855

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

- SKYCITY Auckland – Hobson and Federal Streets sub soil lease: This lease is for a period of 999 years from 31 January 1996 with rent reviews every five years.
- Adelaide Casino building lease: The initial lease term is until 3 March 2025 with three further rights of renewal for 20 years each and annual rent reviews.

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

	2017 \$'000	2016 \$'000
Profit for the year	44,862	145,672
Depreciation and amortisation	95,049	104,070
Net finance costs	16,712	32,588
Current period employee share expense	736	1,275
Gain on sale of fixed assets	(762)	(944)
Impairment of goodwill	99,486	-
Change in operating assets and liabilities		
Change in receivables and prepayments	19,175	(19,884)
Change in inventories	668	657
Change in payables	(1,348)	7,833
Change in deferred tax liability	1,333	(1,925)
Change in tax receivable – current	4,847	38,312
Change in provisions	(1,182)	386
Change in tax receivable – term	-	779
Change in tax payable – current	13,741	-
Capital items included in working capital movements	(13,793)	(3,662)
Net cash inflow from operating activities	279,524	305,157

## 28 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

### (a) Dividend

On 8 August 2017, the directors resolved to provide for a final dividend to be paid in respect of the year ended 30 June 2017. The fully imputed, unfranked dividend of 10.0 cents per share will be paid on 15 September 2017 to all shareholders on the company's register at the close of business on 1 September 2017.

### (b) Adelaide

On 26 July 2017, the company announced that it had committed to proceeding with a A\$330 million expansion project in Adelaide following signing a Development Agreement with the South Australian Government. The main works on the expansion project are expected to commence in 1Q18, following completion of early works by the South Australian Government, with completion expected in 3Q20.

	FY17				FY16			
	REVENUE \$M	EBITDA \$M	EBIT \$M	NPAT \$M	REVENUE \$M	EBITDA \$M	EBIT \$M	NPAT \$M
<b>Normalised</b>	<b>1,030.6</b>	<b>321.5</b>	<b>226.5</b>	<b>154.6</b>	<b>1,084.1</b>	<b>330.1</b>	<b>236.4</b>	<b>152.7</b>
International Business at Theoretical	(8.6)	(14.5)	(14.5)	(10.2)	17.1	3.9	3.9	2.8
Asset write-offs	-	-	(99.5)	(99.5)	-	-	(10.4)	(9.8)
<b>Total Adjustments</b>	<b>(8.6)</b>	<b>(14.5)</b>	<b>(114.0)</b>	<b>(109.7)</b>	<b>17.1</b>	<b>3.9</b>	<b>(6.5)</b>	<b>(7.0)</b>
<b>Reported</b>	<b>1,022.0</b>	<b>307.0</b>	<b>112.5</b>	<b>44.9</b>	<b>1,101.2</b>	<b>333.9</b>	<b>229.9</b>	<b>145.7</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.

Total revenues are gaming win plus non-gaming revenues.

Normalisation adjustments have been calculated in a consistent manner in FY17 and FY16.

#### FY17 adjustments

- Impairment of Darwin goodwill, A\$94.6 million (NZ\$99.5 million)

#### FY16 adjustments

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

The actual win rate on International Business was 1.25% for FY17 (FY16: 1.49%).

An illustration of a construction site under a blue sky with clouds. Three cranes are visible: one on the left, one in the center, and one on the right. A helicopter is flying in the upper right. The background is a gradient from light blue at the top to a light tan at the bottom.

# CORPORATE GOVERNANCE

## STATEMENT AND OTHER DISCLOSURES

For the year ended 30 June 2017

SKYCITY Entertainment Group Limited is committed to maintaining the highest standards of corporate behaviour and responsibility and has adopted governance policies and procedures reflecting this.

In establishing its governance policies and procedures, the SKYCITY board has adopted eleven governance parameters as the cornerstone principles of its corporate governance charter as set out in the Company's Board Charter (available in the Governance section of the company's website at [www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com)).

As a New Zealand company listed on the Australian and New Zealand stock exchanges, these cornerstone principles, detailed below and on the following pages, reflect the Listing Rules and Corporate Governance Code of NZX Limited (NZX), the Listing Rules of ASX Limited (ASX), the Corporate Governance Principles and Recommendations (Third Edition) of the ASX Corporate Governance Council, and the New Zealand Financial Markets Authority's Corporate Governance Principles and Guidelines.

SKYCITY is listed as a 'Foreign Exempt Listing' on the ASX. The ASX Foreign Exempt Listing category is based on a principle of substituted compliance recognising that, for secondary listings, the primary regulatory role and oversight rest with the home exchange and the supervisory regulator in that jurisdiction. As a company with ASX Foreign Exempt Listing status, SKYCITY is not required to comply with ASX Listing Rule 4.10, which requires entities to include certain prescribed information in their annual reports, or the Corporate Governance Principles and Recommendations (Third Edition) of the ASX Corporate Governance Council. Notwithstanding, SKYCITY has included all the information required under ASX Listing Rule 4.10 in this annual report and followed a majority of the recommendations set by the ASX Corporate Governance Council, in addition to all the corporate governance principles set out in the NZX's Corporate Governance Code, during the financial year ended 30 June 2017. In addition, as mentioned above, the cornerstone principles set out in SKYCITY's Board Charter (available in the Governance section of the company's website at [www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com)) continue to reflect the principles in the Corporate Governance Principles and Recommendations (Third Edition) of the ASX Corporate Governance Council.

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

SKYCITY's procedures are designed to:

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

The Board Charter details the board's role and responsibilities. The board establishes the company's objectives, the major strategies for achieving those objectives and the overall policy framework within

which the business of the company is conducted, and monitors management's performance with respect to these matters.

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

Specific responsibilities of the board include:

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

The board has responsibility for the affairs and activities of the company, which in practice is achieved through delegation to the Chief Executive Officer and others (including SKYCITY appointed directors on subsidiary company boards) who are charged with the day-to-day leadership and management of the company. The board maintains a formal set of delegated authorities that details the extent to which employees can commit the company. These delegated authorities are approved by the board and are subject to annual review by the board.

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

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

## 2. STRUCTURE THE BOARD TO ADD VALUE

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

To achieve this, the SKYCITY board is structured to:

- have a sound understanding of, and competence to deal with, the current and emerging issues of the business;



- effectively review and challenge the performance of management and exercise independent judgement; and
- assist in the selection of candidates to stand for election by shareholders at annual meetings.

### **Board Composition and Skills Matrix**

As at 30 June 2017, the board comprised eight non-executive directors. Biographical details of individual directors are set out on pages 18–20 of this annual report.

As previously announced to the market in June 2017, Chris Moller will retire from the board effective from 31 December 2017 and Rob Campbell will succeed Chris as Chairman of the board from 1 January 2018.

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

In order to meet these requirements, the board membership comprises a range of skills and experience to ensure that it has a proper understanding of and competence to deal with the current and emerging issues of the business, to effectively review and challenge the performance of management, and to exercise independent judgement. The areas of expertise and experience determined by the board as being the key competencies required to meet these objectives include:

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

As at the date of this annual report, the board comprises individuals with expertise and experience in the specific areas listed above other than legal and Asia/Asian consumers. Details of individual expertise and experience of the directors are set out on pages 18–20 of this annual report.

### **Appointment**

The board has established the Governance and Nominations Committee to:

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

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

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

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

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

### Director Independence

The Board Charter and the company's constitution require that the board contains a majority of its number who are independent directors.

SKYCITY also supports the separation of the role of board chairperson from the Chief Executive Officer position. The Board Charter requires the board chairperson and (where appointed) deputy chairperson to be independent directors and prohibits the company's Chief Executive Officer from filling either of these roles.

Directors are required to ensure all relationships and appointments bearing on their independence are disclosed to the Governance and Nominations Committee on a timely basis. In determining the independence of directors, the board has adopted the definition of independence set out in the NZX Main Board Listing Rules and has taken into account the independence guidelines as recommended in the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (Third Edition) (ASX Independence Guidelines).

At its June 2017 meeting, the board reviewed the status of each director in accordance with the definition of independence set out in the NZX Main Board Listing Rules and taking into account the ASX Independence Guidelines and determined that all current non-executive directors were independent at the balance date.

### Access to Information and Advice

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

Directors receive regular reports and comprehensive information on the company's operations before each board and committee meeting and have unrestricted access to any other information they require. Senior management is also available at and outside each meeting to address queries.

Directors are expected to maintain an up-to-date knowledge of the company's business operations and of the industry sectors within which the company operates. Directors are provided with updates on industry developments and undertake regular visits to the company's key operations. The board also undertakes periodic educational trips to

observe and receive briefings from other companies in the gaming and entertainment industries.

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

### Indemnities and Insurance

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

### Board Committees

The board has four formally appointed committees – the Audit and Financial Risk Committee, Governance and Nominations Committee, Remuneration and Human Resources Committee and Corporate Social Responsibility Committee.

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

The current members and chairperson of each committee, and their respective qualifications and experience, are set out on pages 18-20 of this annual report and in the People section of the company's website at [www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com).

Each committee operates under a formal charter document as agreed by the board. Each charter sets out the role and responsibilities of the relevant committee and is available in the Governance section of the company's website at [www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com). Each committee charter and the performance of each committee are subject to formal review by the board on an annual basis.

### Meeting Attendance

The following table shows attendances at board and committee meetings by directors during the financial year ended 30 June 2017. Seven board meetings were scheduled during the year.

	APPOINTMENT TO OFFICE	BOARD SCHEDULED	BOARD UNSCHEDULED	BOARD TOTAL	AUDIT AND FINANCIAL RISK	REMUNERATION AND HUMAN RESOURCES	GOVERNANCE AND NOMINATIONS	CORPORATE SOCIAL RESPONSIBILITY
NUMBER OF MEETINGS HELD		7	5	12	7	4	1	4
Chris Moller	18 December 2008	7	5	12	7	4	1	3
Bruce Carter	12 October 2010	7	3	10	7	-	1	-
Brent Harman	18 December 2008	7	5	12	-	4	1	-
Sue Suckling	9 May 2011	7	5	12	1	1 <sup>(1)</sup>	1	4
Richard Didsbury	20 July 2012	7	4	11	1	-	1	4
Richard Tsiang <sup>(2)</sup>	17 December 2014	2	1	3	1	-	-	-
Jennifer Owen <sup>(3)</sup>	5 December 2016	6	5	11	6	-	1	-
Murray Jordan <sup>(3)</sup>	5 December 2016	6	5	11	1	3	1	1
Rob Campbell <sup>(4)</sup>	25 June 2017	3	-	3	3	2	-	2

(1) Sue Suckling was a member of the Remuneration and Human Resources Committee for the period from 1 July 2016 to 4 December 2016.

(2) Richard Tsiang retired as a director effective from 1 January 2017.

(3) Prior to their appointment as directors on 5 December 2016, Jennifer Owen and Murray Jordan attended board and committee meetings from 1 September 2016 in their capacity as consultants.

(4) Prior to his appointment as a director on 25 June 2017, Rob Campbell attended board and committee meetings from 10 April 2017 in his capacity as a consultant.

### 3. INTEGRITY, ETHICAL BEHAVIOUR AND DIVERSITY

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

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

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

#### *Corporate Social Responsibility*

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

The Corporate Social Responsibility Committee focuses on the five pillars of the company's CSR strategy, being: responsible gaming, the environment, fair operating practices, labour practices and human rights, and community development and investment. These pillars are described in further detail on pages 23-28 of this annual report.

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

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

Further details of SKYCITY's CSR activities are included on pages 23-28 of this annual report.

#### *Code of Business Practice*

The Corporate Social Responsibility Committee is responsible for monitoring the organisational integrity of business operations to ensure the maintenance of a high standard of ethical behaviour. This includes ensuring that SKYCITY operates in compliance with its Code of Business Practice (available in the Governance section of the company's website at [www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com)), which sets out the guiding principles of its relationships with stakeholder groups such as regulators, shareholders, suppliers, customers, community groups and employees.

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

#### *Trading in Securities*

The company maintains a Securities Trading Policy (available in the Governance section of the company's website at [www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com)) for directors and employees that sets out guidelines in respect of trading in, or giving recommendations concerning, the company's securities, including derivatives of such listed securities.

Prior consent must be obtained from the Company Secretary (or any other authorised person) before directors and certain employees who may have access to material information undertake any trading in the company's securities, grant security over SKYCITY securities, enter into any margin loan or similar instrument in respect of such securities or enter into any hedging arrangements which reduce the risk elements essential to effective employee incentive schemes.

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

#### *Conflicts of Interest*

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

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

### **Gaming Prohibition**

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

### **Diversity and Inclusion**

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

SKYCITY performed well against the measurable objectives set by the board for the year ended 30 June 2017 (as reported in the company's 2016 annual report) as follows:

#### **OBJECTIVE**

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

#### **PROGRESS MADE**

40% of senior executive roles recruited for in the past financial year had a successful female candidate and 55% had one or more female included on the short list of applicants.

Recruitment briefs for the board recruitment process during the past financial year explicitly specified that SKYCITY required female candidates to be identified wherever possible.

Several significant female appointments have been made during the past financial year, including a non-executive director to the SKYCITY board, Group General Manager Human Resources and General Counsel and Company Secretary.

#### **OBJECTIVE**

In New Zealand, obtain Rainbow Tick certification for both SKYCITY Hamilton and SKYCITY Queenstown and retain Rainbow Tick certification for SKYCITY Auckland.

In Australia, consider appropriate options to reiterate our commitment to our lesbian, gay, bi-sexual, trans-sexual and intersex staff.

#### **PROGRESS MADE**

Rainbow Tick certification was achieved for SKYCITY Hamilton and SKYCITY Queenstown and retained for a third year at SKYCITY Auckland.

SKYCITY has implemented the Pride in Diversity programme at our Australian properties. Once established, we will review the opportunity to take part in the Australian Workplace Equality Index (AWEI).

#### **OBJECTIVE**

Actively encourage and report on the participation of underrepresented groups in our leadership training and talent programmes.

#### **PROGRESS MADE**

During the past financial year, 181 staff attended one or more of the internal leadership modules – 77 (43%) of whom were female and 104 (57%) of whom were male.

Over the past financial year, 46% of participants in the internal talent management programme were female.

SKYCITY continued its sponsorship of the New Zealand Asian Leaders Forum during the year under review and contributed five participants – four (80%) of whom are female.

Jo Wong, General Counsel and Company Secretary, joined the 2017 Breakthrough Leaders Programme facilitated by New Zealand Global Women.

#### **OBJECTIVE**

Deliver targeted programmes that support staff from underrepresented groups to thrive and develop at SKYCITY.

#### **PROGRESS MADE**

New partnerships were developed during the year under review that will support underrepresented groups:

- Indigenous Growth Limited will assist in delivering a bespoke leadership programme for Māori at SKYCITY; and
- SKYCITY participated in the TupuToa Māori and Pasifika Corporate Pathways programme through which work experience was provided to Māori and Pasifika tertiary students.

#### **OBJECTIVE**

Review gender pay equality and deliver an organisation wide programme that removes any risk of bias or inequality.

#### **PROGRESS MADE**

During the past financial year, SKYCITY continued its review of remuneration outcomes to ensure pay equality. The annual salary review round resulted in a higher average increase for females (2.94%) versus males (2.82%).

SKYCITY continued its sponsorship of the YWCA Equal Pay Awards.

During the year under review, SKYCITY Darwin and SKYCITY Adelaide achieved compliance with the Workplace Gender Equality Act 2012 as determined by the Workplace Gender Equality Agency.

The measurable objectives set by the board for the financial year ending 30 June 2018 are set out on page 31 of this annual report.

As at 30 June 2017, the gender composition of the company's directors, senior executives, officers and total workforce was as follows:

	FEMALE		MALE		TOTAL
	NUMBER	%	NUMBER	%	
<b>Directors</b>	2	25%	6	75%	8
<b>Senior Executives</b>	3	30%	7	70%	10
<b>Officers</b>	2	33%	4	67%	6
<b>Total Workforce</b>	2,730	48%	2,956	52%	5,686

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

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

In the above tables:

- 'senior executives' are those directly reporting to the Chief Executive Officer (or Interim Chief Executive Officer), other than the Executive Assistant, and those who are a site General Manager; and
- 'officers' are the Chief Executive Officer (or Interim Chief Executive Officer) and those directly reporting to the Chief Executive Officer, other than the Executive Assistant.

#### 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 that the annual and interim financial statements present a true and fair view of the company's financial condition and results of operations, and comply with relevant accounting standards.

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

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

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

Fees paid to PricewaterhouseCoopers during the financial year ended 30 June 2017 are set out in note 5 to the financial statements. Fees for audit and tax compliance work for the financial year ended 30 June 2017 represent 67% of total PricewaterhouseCoopers fees.

In 2017, the company undertook a tender for its external audit services. Following the completion of a competitive process, PricewaterhouseCoopers was reappointed as the company's auditor.

#### 5. TIMELY AND BALANCED DISCLOSURE

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

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

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

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

- satisfies the requirements of the New Zealand Financial Markets Conduct Act 2013, Australian Corporations Act 2001, NZX Main Board Listing Rules and ASX Listing Rules;
- meets its disclosure obligations in a way that allows all interested parties equal opportunity to access information;



- meets stakeholders' expectations for equal, timely, balanced and meaningful disclosure; and
- provides guidance on the processes to ensure compliance.

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

Jo Wong, General Counsel, is Company Secretary and the Disclosure Officer for SKYCITY Entertainment Group Limited and is responsible for bringing to the attention of the board any matter relevant to the company's disclosure obligations. The Company Secretary is also accountable directly to the board, through the chairperson of the board, on all matters to do with the proper functioning of the board.

## 6. RESPECT AND FACILITATE THE RIGHTS OF SHAREHOLDERS

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

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

The company achieves this by:

- ensuring that information about the company (including its corporate governance framework, media releases, current and past annual reports, dividend histories and notices of meeting) is available to all shareholders in the Investor Centre section of the company's website at [www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com);
- posting stock exchange announcements in the Investor Centre section of the company's website promptly after they have been disclosed to the market;
- giving shareholders the option to receive communications from, and send communications to, the company and its security registry, Computershare, electronically;
- engaging in a programme of regular interactions with institutional investors, shareholder associations and proxy advisers;
- promoting two-way interaction with shareholders, by encouraging shareholders to attend general meetings of the company and making appropriate time available at such meetings for shareholders to ask questions of directors and management. Each year, in the company's notice of meeting, shareholders are invited to submit questions to the company prior to the annual meeting to enable the company to aggregate the main themes of the questions asked and respond to them at the annual meeting. Representatives of the company's external auditors are also invited to attend the company's annual meeting to answer any shareholder questions concerning their audit and external audit report; and

- ensuring that continuous disclosure obligations are understood and complied with throughout the SKYCITY Group.

## 7. RECOGNISE AND MANAGE RISK

The company maintains a risk management framework for the identification, assessment, monitoring and management of risk to the company's business.

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

The Audit and Financial Risk Committee approves the assurance plan, with results and performance of the control environments regularly reviewed by both the committee and the external auditors. The Chief Executive Officer and the Chief Financial Officer are required to confirm in writing to the Audit and Financial Risk Committee at least annually that the statement in respect of the integrity of the company's financial statements referred to above is founded on a sound system of risk management and internal compliance and control which implements the policies of the board, and that the company's financial risk management and internal compliance and control systems are operating efficiently and effectively in all material respects. The most recent confirmations were provided by the Chief Executive Officer and Chief Financial Officer in August 2017.

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

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

### • **Highly regulated industry**

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

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

#### • **Renewal or extension of Auckland casino licence**

SKYCITY's Auckland property contributes a significant portion of SKYCITY's EBITDA. This concentration of earnings means that the performance of SKYCITY is heavily dependent upon the Auckland property. A significant disruption to SKYCITY's Auckland operations (which may arise through the expiry of the Auckland casino licence) could have a significant negative impact on SKYCITY.

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

#### • **Economic and business volatility**

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

To mitigate these risks, SKYCITY continually monitors its external environment, including the geo-political and global economic landscape. SKYCITY also continually reviews the optimal mix for its business activities to ensure it has a balanced portfolio reflecting its risk appetite.

#### • **Development and project risk**

With two significant major growth projects underway, the New Zealand International Convention Centre and Hobson Street hotel project in Auckland and the Adelaide Casino expansion, SKYCITY recognises that robust project management is critical to successful delivery of these projects on-time and on-budget. Accordingly, SKYCITY has established strong governance, control and oversight frameworks for both current and future major growth projects.

#### • **Customer and innovation risk**

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

To ensure SKYCITY remains relevant to its customers, a long-term innovation strategy is currently under development, with a focus on emerging industry trends and opportunities for leveraging new technology and demographic changes.

#### • **Technology risk**

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

To mitigate technology risk, SKYCITY has invested in a significant investment programme over the medium-term to improve technology systems, infrastructure and data management, and to improve cyber-resilience.

Details of SKYCITY's health and safety risks, performance and management are set out on pages 31 and 32 of this annual report.

## 8. PERFORMANCE EVALUATION

### *Evaluation of the Board and its Committees*

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

As an independent facilitated board evaluation process was undertaken by an international facilitator with significant experience in board evaluations in early 2016 and the Governance and Nominations Committee agreed at its December 2016 meeting that an independent board review was not required in 2017. Instead, a self-evaluation questionnaire was completed by each of the directors and select management in March 2017 for the purpose of evaluating the board's performance. The findings of the review were discussed at the board's April 2017 meeting.

### *Evaluation of Senior Management*

The board undertakes the performance review of the Chief Executive Officer and reviews the outcomes of those reporting directly to that position in accordance with the company's performance review procedures. In the case of the Chief Executive Officer, the review generally involves a formal response/feedback process at both the half year and full year. In the case of each senior executive, the review involves a formal response/feedback process between the Chief Executive Officer and each senior executive.

## 9. REMUNERATE FAIRLY AND RESPONSIBLY

### *Remuneration Governance*

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

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

The Remuneration and Human Resources Committee oversees the management of the human resources activities of the company, the senior management structure, senior executive performance, remuneration and incentive plans, and succession planning. It also seeks to assist the board to ensure that the company's remuneration policies and practices reward fairly and responsibly with a clear link to the

company's strategic objectives and corporate and individual performance. The Remuneration and Human Resources Committee is also responsible for periodically reviewing non-executive director fees.

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

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

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

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

During the financial year ended 30 June 2017, there were no material changes to SKYCITY's remuneration policies.

#### **A. Remuneration of Non-Executive Directors and Group Executives**

This section details the company's approach to remuneration frameworks, outcomes and performance for the following non-executive directors and group executives for the financial year ended 30 June 2017:

NAME	POSITION	TERM
<b>Non-Executive Directors</b>		
Chris Moller	Chairman	Full Year
Bruce Carter	Deputy Chairman	Full Year
Richard Didsbury	Director	Full Year
Brent Harman	Director	Full Year
Sue Suckling	Director	Full Year
Jennifer Owen	Director	Part Year
Murray Jordan	Director	Part Year
Rob Campbell	Director	Part Year

#### **Former Non-Executive Director**

Richard Tsiang	Director	Part Year
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#### **Group Executives**

Graeme Stephens	Chief Executive Officer	Part Year
John Mortensen	Interim Chief Executive Officer	Part Year
	Group Chief Operating Officer	Part Year
Rob Hamilton	Chief Financial Officer	Full Year
Peter Treacy	General Counsel, Company Secretary and Chief Risk Officer	Part Year
	Group General Manager Corporate Affairs and Chief Risk Officer	Part Year
Claire Walker	Group General Manager Human Resources	Part Year
Sonya Crosby	Chief Innovation Officer	Full Year
Jo Wong	General Counsel and Company Secretary	Part Year

The following key changes to the board and senior executive team occurred during the financial year ended 30 June 2017:

#### **Non-Executive Directors**

Richard Tsiang	Retired as a director effective from 1 January 2017
Jennifer Owen	Appointed as a director effective from 5 December 2016
Murray Jordan	Appointed as a director effective from 5 December 2016
Rob Campbell	Appointed as a director effective from 25 June 2017

#### **Group Executives**

Graeme Stephens	Appointed as Chief Executive Officer effective from 19 April 2017
John Mortensen	Resigned as Interim Chief Executive Officer and appointed as Group Chief Operating Officer effective from 19 April 2017
Peter Treacy	Resigned as General Counsel and Company Secretary and appointed as Group General Manager Corporate Affairs effective from 1 September 2016
Jo Wong	Appointed as General Counsel and Company Secretary effective from 1 September 2016
Grainne Troute	Resigned as General Manager Corporate Services effective from 8 October 2016

Claire Walker

Appointed as Group General Manager  
Human Resources effective from  
10 October 2016

### Non-Executive Directors

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

The following table outlines the non-executive directors' fees (exclusive of GST, if any) for the board and its committees as at 30 June 2017:

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

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

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

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

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

The Remuneration and Human Resources Committee is responsible for making recommendations to the board annually on non-executive director remuneration changes. The board seeks shareholder approval

for any proposed increase to the total remuneration pool, but may not seek such approval more regularly than every two years under the Policy on Non-Executive Director Remuneration. In accordance with practice, at its June 2017 meeting, the board reviewed the current total remuneration pool, board and committee fees against a comparator group and available data on fee increases in both New Zealand and Australia. Notwithstanding that comparable fees had increased in the three years since the last shareholder approved increase to the SKYCITY non-executive director total remuneration pool in 2014, the board resolved to delay seeking shareholder approval for any proposed increase to the total remuneration pool until next year.

In addition to directors' fees, non-executive directors may also receive remuneration for additional services provided to the company outside of their capacities as directors of the company at the discretion of the board and subject to the maximum remuneration amount which has been approved by the shareholders of the company.

Details of the total remuneration paid to, and other benefits received by, non-executive directors during the financial year ended 30 June 2017 are set out on page 87 of this annual report.

### Group Executives

#### Remuneration Framework

Remuneration components are offered in the context of a total remuneration package, measured on a "total cost to the company" basis. The remuneration arrangements for each group executive comprise both fixed and variable remuneration, with the variable portion comprising both short term incentive at-risk remuneration (STI) and long term incentive at-risk remuneration (LTI).

The STI component for the Chief Executive Officer and each group executive is based on performance against both key financial and non-financial measures and all STI bonuses are at the ultimate discretion of the board.

The board determines an appropriate level of fixed remuneration for each group executive taking into account recommendations from the Remuneration and Human Resources Committee.

#### Fixed Remuneration

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

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

Fixed remuneration is reviewed annually for each group executive and the Remuneration and Human Resources Committee approves remuneration increases for the group executives.

### Short Term Incentive Remuneration

In the year under review, 70% of each group executive's STI was based on the company's financial performance. In the case of each group executive, eligibility for this element was based on achievement of the company's budgeted NPAT (normalised net profit after tax) for the financial year ended 30 June 2017 (gateway hurdle).

The remaining 30% of each group executive's STI was based on the achievement of a small number of personal goals that were agreed with each individual at the commencement of the financial year. In the case of the Interim Chief Executive Officer, these were aligned to the strategic priorities of the company. The non-financial objectives for each of the other group executives were aligned to those set for the Interim Chief Executive Officer but included specific personal objectives.

The Chief Executive Officer and the Senior Executive STI schemes are outlined in the relevant sections below.

Each group executive will receive their STI (in cash) following completion of the external audit of the company's year-end results.

### Long Term Incentive Remuneration

The company operated two LTI plans during the financial year ended 30 June 2017 for the company's most senior executives, including the group executives outlined above.

Details of the SKYCITY Senior Executive LTI Plan and SKYCITY Executive Cash Award Plan are included on pages 82 and 83 of this annual report.

### Chief Executive Officer Remuneration

Graeme Stephens was appointed as Chief Executive Officer effective from 19 April 2017. His employment agreement (a copy of which is available on the company's website at [www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com)) is dated 4 November 2016 and provides for:

- a fixed base salary of \$1,450,000 gross per annum;
- effective from 1 July 2017, an STI component set at 70% of his base salary, contingent on his achievement of both financial and non-financial performance hurdles. The threshold for vesting of any STI is an improvement on the previous financial year's Group normalised NPAT performance. 70% of Mr Stephens' STI will be measured against the company's achievement of normalised Group

NPAT and 30% will be based on a small number of key non-financial goals. For the financial year ending 30 June 2018, the maximum at which Mr Stephens' STI will vest is 70% of his base salary;

- a sign-on bonus of 325,000 shares in the company, which will be issued to him on the earlier of the second anniversary of the date of his employment agreement or the effective date of change of control where the company has entered into a contract or arrangement under which its business (or part of it) is to be undertaken by another person or entity, or where the company's business (or part of it) is to be sold or transferred to another person or entity and Mr Stephens' employment does not continue as contemplated in his employment agreement; and
- an allocation of shares in the company equal to \$1,250,000 each year under the SKYCITY Senior Executive LTI Plan with the first allocation scheduled to occur in September 2017. Details of the SKYCITY Senior Executive LTI Plan are included on pages 82 and 83 of this annual report.

The terms of Mr Stephens' employment agreement reflect standard conditions that are appropriate for a senior executive of a listed Australasian company.

Mr Stephens' employment agreement may be terminated by:

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

All entitlements payable to Mr Stephens on termination of his employment are outlined in his employment agreement (a copy of which is available on the company's website at [www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com)).

The total remuneration paid to Mr Stephens and, immediately prior to his appointment, Mr Mortensen during their tenures as Chief Executive Officer and Interim Chief Executive Officer respectively in the year ended 30 June 2017 was as follows:

	FIXED ANNUAL PAY			PAY FOR PERFORMANCE			TOTAL REMUNERATION
	BASE SALARY	BENEFITS	SUB TOTAL	STI	LTI	SUB TOTAL	
Graeme Stephens	237,500	869	238,369	N/A	N/A	N/A	238,369
John Mortensen <sup>(1)</sup>	1,010,500	3,568	1,014,068	73,236	98,228 <sup>(2)</sup>	171,464	1,185,532

(1) Mr Mortensen acquired 70,000 shares under the SKYCITY Senior Executive LTI Plan on 30 August 2016 (with an effective acquisition date of 24 August 2016) which are currently held on behalf of Mr Mortensen by a trustee.

(2) Calculated on the basis of 25,000 SKYCITY shares at an allocation price of \$3.93 per share.



## B. Remuneration of SKYCITY Employees

All salaried roles within SKYCITY are job-sized using a recognised methodology to measure the impact, accountability and complexity of each role as it contributes to the organisation. Remuneration data is obtained from a number of sources to determine remuneration ranges by job band or level to ensure competitiveness at both base salary and total remuneration levels.

Individual remuneration is set within the appropriate range taking into account such matters as individual performance, scarcity/availability of resource/skill, internal relativities and specific business needs. This process ensures internal equality between roles and allows comparison with the overall market. Remuneration ranges are reviewed annually to reflect market movements.

### Senior Executive STI

For the financial year ended 30 June 2017, a total of \$661,891 will be paid under the Senior Executive STI Plan to 11 senior executives (including some of the group executives outlined on page 79 of this annual report) – an amount equivalent to 13% of combined base salary for this group.

Payment levels are lower this financial year due to a number of business units not meeting their financial performance targets.

This scheme will be reviewed by the Chief Executive Officer for the financial year ending 30 June 2018.

### SKYCITY Senior Executive LTI Plan

Under the SKYCITY Senior Executive LTI Plan introduced in 2009, selected senior executives are provided with financial assistance by way of an interest-free loan by a subsidiary of the company to acquire shares in the company. A trustee holds legal title to the relevant shares on behalf of those senior executives for a restrictive period of at least three years until certain performance hurdles are met. The performance hurdles involve comparison of the total shareholder return (TSR) achieved by SKYCITY against the shareholder returns achieved by a group of comparable Australasian companies (comparator group), and by the companies whose securities are in the NZSX50 index (index group).

For LTI shares issued before and including 2013, to vest in a participant under the SKYCITY Senior Executive LTI Plan, the company must achieve a TSR equal to or greater than the average of the comparator and index groups' median TSRs. The number of shares that will vest depend on where the SKYCITY TSR is relative to the average median TSR (at which point 50% of the shares vest) and the average of the TSRs representing the 75th percentiles of the TSRs achieved by the comparator group and the index group (at which point 100% of the shares vest). In addition, the board has discretion to determine that up to 25% of the shares will vest if the company's TSR for the relevant period does not exceed the average median TSR, but exceeds one or other of the TSRs representing the 50th percentile of TSRs of the members of the comparator group and of the index group.

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

Performance is assessed three years after the issue of the shares and (provided the shares have not lapsed and all performance hurdles have not been satisfied) after a further six and twelve months. Special assessment may occur in the event of a takeover offer, amalgamation or scheme of arrangement involving the company. In the event a takeover offer for the acquisition of SKYCITY's ordinary shares is formally made, or an amalgamation or scheme of arrangement involving SKYCITY's ordinary shares is formally proposed, which will result in a change in control of SKYCITY if it is successful:

- the SKYCITY board will determine a date (TO Calculation Date) prior to the final date on which holders of SKYCITY's ordinary shares may participate in the takeover offer, amalgamation or scheme of arrangement (as applicable); and
- the TSR achieved by SKYCITY, and the members of the comparator group and the index group will be calculated, and the change in the TSR index will be determined, for the period from the date the shares were issued to the TO Calculation Date,

provided that the SKYCITY board may determine that the performance calculation referred to above will not occur if it considers participants will have the opportunity to participate in the takeover offer, amalgamation or scheme of arrangement on terms that are fair and reasonable as between participants and holders of other classes of SKYCITY securities or there are no reasonable grounds to believe that the takeover offer, amalgamation or scheme of arrangement will be successful.

Shares which have not previously been vested will lapse to the extent performance hurdles have not been fully satisfied in respect of the period to the fourth anniversary of the issue date.

During the financial year ended 30 June 2017, the following vesting calculations were completed:

- **August 2012 LTI:** The third (and final) test was completed on 29 August 2016 with no shares vesting to executives. All unvested shares were accordingly forfeited in accordance with the terms of the SKYCITY Senior Executive LTI Plan; and
- **August 2013 LTI:** The first and second tests were completed. To date, 25% of shares have vested to executives. The third (and final) test will be completed during September 2017 and any shares that do not vest at that time will be forfeited in accordance with the terms of the SKYCITY Senior Executive LTI Plan.

Details of the shares issued under the SKYCITY Senior Executive LTI Plan and outstanding as at 1 August 2017 are detailed on page 92 of this annual report.

#### **SKYCITY Executive Cash Award Plan**

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

As at 1 August 2017, there were three participants in the SKYCITY Executive Cash Award Plan.

#### **Salaried Employee STI and Individual Bonus Plans**

To drive outstanding company and individual performance, during the year under review, SKYCITY operated an STI plan for selected senior salaried employees and those with operational accountability for a department or business unit (Salaried STI Plan). For each individual, a minimum of 70% of their STI target was 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 had a minimum trigger point based on company and business unit financial targets and increased according to the degree by which the company performed relative to these financial targets.

Eligible senior salaried employees will receive their STI (in cash) following completion of the external audit of the company's year-end results.

This scheme will be reviewed by the Chief Executive Officer for the financial year ending 30 June 2018.

For the financial year ended 30 June 2017, 367 salaried staff participated in the Salaried STI Plan. Based on achievement of individual and financial targets, 367 staff will receive an average STI payment of 6% of their fixed salaries.

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

In total, for the financial year ended 30 June 2017, SKYCITY salaried personnel will be paid incentives totalling \$4.3 million under the Salaried STI Plan and Individual Bonus Plan.

### **10. RECOGNISE THE OBLIGATIONS TO ALL STAKEHOLDERS**

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

The SKYCITY Code of Business Practice (available in the Governance section of the company's website at [www.skycityentertainmentgroup.com](http://www.skycityentertainmentgroup.com)) sets out the company's commitment to the community and the standards of behaviour that can be expected by all stakeholders, including employees and shareholders.

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

## TWENTY LARGEST REGISTERED SHAREHOLDERS AS AT 1 AUGUST 2017

	NUMBER OF SHARES	% OF SHARES
1. HSBC Custody Nominees (Australia) Limited	102,773,982	15.40%
2. HSBC Nominees (New Zealand) Limited - NZCSD	67,007,658	10.04%
3. JP Morgan Nominees Australia Limited	63,186,341	9.47%
4. HSBC Nominees (New Zealand) Limited A/C State Street -NZCSD	49,215,217	7.37%
5. Citibank Nominees (New Zealand) Limited - NZCSD	44,099,162	6.61%
6. BNP Paribas Noms Pty Limited	23,499,218	3.52%
7. National Nominees Limited	23,097,812	3.46%
8. Citicorp Nominees Pty Limited	18,759,079	2.81%
9. Accident Compensation Corporation - NZCSD	17,782,765	2.66%
10. JPMorgan Chase Bank NA NZ Branch-Segregated Clients Acct - NZCSD	16,598,556	2.49%
11. Citicorp Nominees Pty Limited	14,009,976	2.10%
12. BNP Paribas Nominees Pty Limited	11,559,515	1.73%
13. ANZ Custodial Services New Zealand Limited - NZCSD	10,110,305	1.51%
14. BNP Paribas Nominees (NZ) Limited - NZCSD	9,185,913	1.38%
15. ANZ Wholesale Australasian Share Fund - NZCSD	7,634,447	1.14%
16. UBS Nominees Pty Limited	6,917,483	1.04%
17. Guardian Nominees No 2 A/C Westpac W/S Enhanced Cash Trust - NZCSD	6,035,768	0.90%
18. BNP Paribas Nominees (NZ) Limited - NZCSD	5,518,028	0.83%
19. Public Trust	4,732,839	0.71%
20. HSBC Nominees A/C NZ Superannuation Fund Nominees Limited - NZCSD	4,358,157	0.65%
<b>Total</b>	<b>506,082,221</b>	<b>75.84%</b>

Total ordinary shares on issue as at 1 August 2017 were 667,376,523 of which 5,515,841 were held in aggregate by Public Trust on behalf of eligible and future participants pursuant to the SKYCITY Executive Long Term Incentive Plan.

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

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

## DISTRIBUTION OF ORDINARY SHARES AND REGISTERED SHAREHOLDINGS AS AT 1 AUGUST 2017

	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES
1-1,000	4,297	1,654,262
1,001-5,000	7,193	19,518,259
5,001-10,000	2,712	18,944,053
10,001-100,000	2,476	57,395,219
>100,000	139	569,864,730
<b>Total</b>	<b>16,817</b>	<b>667,376,523</b>

As at 1 August 2017, there were 1,119 shareholders (with a total of 54,818 shares) holding less than a marketable parcel of shares under the ASX Listing Rules, based on the closing share price of A\$3.83. The ASX Listing Rules define a marketable parcel of shares as a parcel of shares of not less than A\$500.

## SUBSTANTIAL SECURITY HOLDERS

The following persons had given notice as at 30 June 2017, in accordance with subpart 5 of Part 5 of the New Zealand Financial Markets Conduct Act 2013, that they were substantial security holders in the company and held a relevant interest in the number of ordinary shares shown below:

	DATE OF SUBSTANTIAL SECURITY NOTICE	RELEVANT INTEREST IN NUMBER OF SHARES	% OF SHARES HELD AT DATE OF NOTICE
Investors Mutual Limited	3 November 2016	40,793,496	6.25%
Lazard Asset Management Pacific Co	17 November 2016	40,403,218	6.108%
Commonwealth Bank of Australia	31 January 2017	39,877,446	6.029%
BlackRock, Inc	22 March 2017	33,401,916	5.005%
Perpetual Limited	30 June 2017	46,999,542	7.20%

The total number of listed voting securities of SKYCITY Entertainment Group Limited as at 30 June 2017 was 667,376,523.

## BONDS

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

## TWENTY LARGEST REGISTERED BONDHOLDERS AS AT 1 AUGUST 2017

	NUMBER OF BONDS	% OF BONDS
1. Investment Custodial Services Limited	13,491,000	10.79%
2. FNZ Custodians Limited	13,123,000	10.50%
3. Forsyth Barr Custodians Limited	11,403,000	9.12%
4. Custodial Services Limited	10,719,000	8.58%
5. ANZ Custodial Services New Zealand Limited - NZCSD	7,871,000	6.30%
6. Custodial Services Limited	5,186,000	4.15%
7. Custodial Services Limited	4,800,000	3.84%
8. Custodial Services Limited	2,929,000	2.34%
9. Citibank Nominees (New Zealand) Limited - NZCSD	2,820,000	2.26%
10. Tea Custodians Limited Client Property Trust Account - NZCSD	2,100,000	1.68%
11. Lynette Therese Erceg & Darryl Edward Gregory & Catherine Agnes Quinn	2,000,000	1.60%
12. Tappenden Holdings Limited	2,000,000	1.60%
13. Custodial Services Limited	1,775,000	1.42%
14. Custodial Services Limited	1,472,000	1.18%
15. BNP Paribas Nominees (NZ) Limited - NZCSD	1,250,000	1.00%
16. JBWere (NZ) Nominees Limited	950,000	0.76%
17. ANZ Bank New Zealand Limited - NZCSD	863,000	0.69%
18. Investment Custodial Services Limited	800,000	0.64%
19. BNP Paribas Nominees (NZ) Limited - NZCSD	755,000	0.60%
20. BGS Trustee Limited	750,000	0.60%
<b>Total</b>	<b>87,057,000</b>	<b>69.65%</b>

## DISTRIBUTION OF BONDS AND REGISTERED HOLDINGS AS AT 1 AUGUST 2017

	NUMBER OF BONDHOLDERS	NUMBER OF BONDS
1,001-5,000	85	425,000
5,001-10,000	215	2,072,000
10,001-100,000	715	25,016,000
>100,000	69	97,487,000
<b>Total</b>	<b>1,084</b>	<b>125,000,000</b>



## REMUNERATION OF DIRECTORS

Remuneration paid to, and other benefits received by, non-executive directors for services in their capacity as directors of the company during the financial year ended 30 June 2017 are as listed below:

	BOARD AND COMMITTEE FEES	OTHER
Chris Moller (Chairman)	\$275,000.00	
Bruce Carter (Deputy Chairman)	\$192,500.00	
Brent Harman	\$161,000.00	\$3,928.08 <sup>(1)</sup>
Sue Suckling	\$157,411.29	\$1,964.04 <sup>(1)</sup>
Richard Didsbury	\$141,000.00	
Richard Tsiang <sup>(2)</sup>	\$70,500.00	
Jennifer Owen	\$80,733.87	
Murray Jordan	\$80,733.87	
Rob Campbell	\$2,350.00	

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

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

(2) Richard Tsiang retired as a director effective from 1 January 2017.

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;
- SKYCITY paid a total of \$10,800.00 (plus GST) to Richard Didsbury during the financial year ended 30 June 2017 in connection with consultancy services provided by him in relation to the New Zealand International Convention Centre development and Adelaide Casino redevelopment projects, which were provided as additional services outside of his capacity as a director of the company; and
- SKYCITY paid a total of \$4,200.00 (plus GST) to Murray Jordan during the financial year ended 30 June 2017 in connection with consultancy services provided by him in relation to the Adelaide Casino redevelopment project, which were provided as additional services outside of his capacity as a director of the company.

Individuals who are invited by the SKYCITY board to join the board as non-executive directors are appointed subject to the company obtaining the approval of the regulatory authorities in each of the gaming jurisdictions in which the company operates, a process which usually takes some months to conclude. Until such approvals are obtained, individuals assist the board in an advisory capacity and are entitled to receive remuneration for consultancy services provided to the company. During the financial year ended 30 June 2017:

- Jennifer Owen received \$34,709.68 for consultancy services provided to the company for the period from 1 September to 4 December 2016 (inclusive) prior to her appointment as a director on 5 December 2016;
- Murray Jordan received \$34,709.68 (plus GST) for consultancy services provided to the company for the period from 1 September to 4 December 2016 (inclusive) prior to his appointment as a director on 5 December 2016; and
- Rob Campbell received \$29,375.00 (plus GST) for consultancy services provided to the company for the period from 10 April to 24 June 2017 (inclusive) prior to his appointment as a director on 25 June 2017.

## 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 2017, 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 (including PAYE and PAYG on vested share rights but excluding accrued PAYE and PAYG on unvested share rights) during the financial year ended 30 June 2017. 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	49
\$110,000-\$119,999	45
\$120,000-\$129,999	30
\$130,000-\$139,999	14
\$140,000-\$149,999	25
\$150,000-\$159,999	13
\$160,000-\$169,999	10
\$170,000-\$179,999	14
\$180,000-\$189,999	12
\$190,000-\$199,999	9
\$200,000-\$209,999	5
\$210,000-\$219,999	3
\$220,000-\$229,999	3
\$230,000-\$239,999	2
\$240,000-\$249,999	3
\$250,000-\$259,999	2
\$260,000-\$269,999	1
\$270,000-\$279,999	4
\$280,000-\$289,999	2
\$290,000-\$299,999	3
\$320,000-\$329,999	1
\$330,000-\$339,999	1
\$340,000-\$349,999	1
\$350,000-\$359,999	1
\$370,000-\$379,999	3
\$380,000-\$389,999	1
\$390,000-\$399,999	1
\$400,000-\$409,999	1
\$410,000-\$419,999	4
\$420,000-\$429,999	1
\$430,000-\$439,999	1
\$440,000-\$449,999	1
\$450,000-\$459,999	1
\$480,000-\$489,999	2
\$500,000-\$509,999	1
\$540,000-\$549,999	1
\$580,000-\$589,999	1
\$790,000-\$799,999	1
\$840,000-\$849,999	1
\$1,050,000-\$1,059,999	1
\$1,320,000-\$1,329,999	1
\$1,380,000-\$1,389,999	1
\$1,690,000-\$1,699,999	1
<b>Total</b>	<b>278</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 2017 (notices given by directors during the financial year ended 30 June 2017 are marked with an asterisk):

<b>Chris Moller (Chairman)</b>		<b>Richard Didsbury</b>	
Meridian Energy Limited	Chair	Auckland International Airport Limited	Director
New Zealand Transport Agency	Chair	Brick Bay Wines Limited	Director
Westpac New Zealand Limited	Director	Brick Bay Development Trust	Trustee
<b>Bruce Carter (Deputy Chairman)</b>		Brick Bay Investments Trust	Trustee
ASC Pty Limited	Chair	Brick Bay Trustee Limited	Director
Aventus Capital Limited	Chair	Kiwi Property Group Limited	Director
Badge Management Pty Limited	Director	NX2 GP Limited	Chair*
Bank of Queensland Limited	Director	NX2 Hold GP Limited	Chair*
and certain subsidiaries		Whisper Cove Heights Limited	Director
Cobbadah Pty Limited	Director	<b>Jennifer Owen</b>	
Eudunda Farmers Limited	Director	Aspire Child Care (Mascot) Pty Ltd	Director*
Ferrier Hodgson	Consultant	Owen Gaming Research	Principal*
Genesee & Wyoming Australia Pty Limited	Director	<b>Murray Jordan</b>	
<b>Brent Harman</b>		Chorus Limited	Director*
Harman Investments Limited	Director and Shareholder	Metcash Limited	Director*
<b>Sue Suckling</b>		Real Clarity Limited	Director and Shareholder*
Callaghan Innovation Research Limited	Chair	Starship Foundation	Trustee*
ECL Group Limited	Chair	Stevenson Group Limited	Director*
Jacobsen Holdings Limited	Chair	<b>Rob Campbell</b>	
Jade Software Corporation Limited	Chair*	Committee For Auckland Limited	Director*
Lincoln Hub Establishment Board	Chair	King Tide Asset Management Limited	Director and Shareholder*
New Zealand Qualifications Authority	Chair	Precinct Properties New Zealand Limited	Director and Shareholder*
Sue Suckling Holdings Limited	Managing Director	RC Custodian Limited	Director*
		Summerset Group Holdings Limited	Chair and Shareholder*
		Tourism Holdings Limited	Chair and Shareholder*
		Tutanekai Investments Limited	Director and Shareholder*
		WEL Networks Limited	Chair*

The following details included in the Interests Register as at 30 June 2016, or entered during the financial year ended 30 June 2017, have been removed during the financial year ended 30 June 2017:

- Bruce Carter is no longer a director of Stichting Administratiekantoer Manadel;
- Sue Suckling is no longer a director of Restaurant Brands New Zealand Limited or a Trustee of Ministry of Awesome; and
- Richard Didsbury is no longer the chair of Committee for Auckland Limited or a director of Hobsonville Land 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 2017:

	DATE OF ACQUISITION/ DISPOSAL DURING PERIOD	CONSIDERATION	SHARES ACQUIRED/ (DISPOSED)
Chris Moller (Chairman)	16 September 2016	\$4.6982 per share <sup>(1)</sup>	1,295
	17 March 2017	\$3.9704 per share <sup>(1)</sup>	1,243
Bruce Carter (Deputy Chairman)	16 September 2016	\$4.6982 per share <sup>(1)</sup>	1,281 <sup>(2)</sup>
	17 March 2017	\$3.9704 per share <sup>(1)</sup>	1,354 <sup>(2)</sup>
Sue Suckling	16 September 2016	\$4.6982 per share <sup>(1)</sup>	642 <sup>(3)</sup>
	17 March 2017	\$3.9704 per share <sup>(1)</sup>	618 <sup>(3)</sup>
Richard Didsbury	16 September 2016	\$4.6982 per share <sup>(1)</sup>	619
	17 March 2017	\$3.9704 per share <sup>(1)</sup>	595
Jennifer Owen	2 March 2017	\$3.7942 per share	15,000 <sup>(4)</sup>
Murray Jordan	15 February 2017	\$3.9211 per share	12,853 <sup>(5)</sup>
	19 April 2017	Nil <sup>(6)</sup>	(12,853) <sup>(5)</sup>
	19 April 2017	Nil <sup>(6)</sup>	12,853 <sup>(7)</sup>

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

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

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

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

(5) Shares held by ANZ Custodial Services New Zealand Limited for the trustees of Endeavour Trust.

(6) Shares transferred as part of a personal reorganisation.

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

## DISCLOSURE OF DIRECTORS' INTERESTS IN SHARES

Directors disclosed the following relevant interests in SKYCITY shares as at 30 June 2017:

	SHARES BENEFICIALLY HELD
Chris Moller (Chairman)	74,932
Bruce Carter (Deputy Chairman)	64,618 <sup>(1)</sup>
Brent Harman	49,808 <sup>(2)</sup>
Sue Suckling	37,171 <sup>(3)</sup>
Richard Didsbury	35,846
Jennifer Owen	15,000 <sup>(4)</sup>
Murray Jordan	12,853 <sup>(5)</sup>
Rob Campbell	25,000 <sup>(6)</sup>

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

(2) Shares held by Forbar Nominees Limited.

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

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

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

(6) Shares held by FNZ Custodians Limited for Tutaneikai Investments Limited.

## STOCK EXCHANGE LISTINGS

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

SKYCITY Entertainment Group Limited has been designated as 'Non-Standard' by the NZX due to the nature of the company's constitution. In particular, the constitution places restrictions on the transfer of shares in the company in certain circumstances and provides that votes and other rights attached to shares may be disregarded and shares may be sold if these restrictions are breached, as more particularly described on pages 92 and 93 of this annual report.

SKYCITY is listed as a 'Foreign Exempt Listing' on the ASX. The ASX Foreign Exempt Listing category is based on a principle of substituted compliance recognising that, for secondary listings, the primary regulatory role and oversight rest with the home exchange and the supervisory regulator in that jurisdiction.

## SKYCITY ENTERTAINMENT GROUP LIMITED

The following persons held office as directors of SKYCITY Entertainment Group Limited as at 30 June 2017:

Chris Moller (Chairman)	Bruce Carter (Deputy Chairman)
Brent Harman	Sue Suckling
Richard Didsbury	Jennifer Owen
Murray Jordan	Rob Campbell

## SUBSIDIARY COMPANIES

### *Subsidiary Company Directorships*

The following persons held office as directors of subsidiaries of SKYCITY Entertainment Group Limited as at 30 June 2017:

- Directors: Graeme Stephens and Jo Wong:
  - New Zealand International Convention Centre Limited
  - Otago Casinos Limited
  - Queenstown Casinos Limited
  - SKYCITY Action Management Limited
  - SKYCITY Auckland Holdings Limited
  - SKYCITY Auckland Limited
  - SKYCITY Casino Management Limited
  - SKYCITY Hamilton Limited
  - SKYCITY International Holdings Limited
  - SKYCITY Investments Australia Limited
  - SKYCITY Investments Queenstown Limited
  - SKYCITY Management Limited
  - SKYCITY Wellington Limited
  - Sky Tower Limited

- Directors: Graeme Stephens, Jo Wong, Bruce Carter and David Christian:
  - SKYCITY Adelaide Pty Limited
  - SKYCITY Australia Finance Pty Limited
  - SKYCITY Australia Pty Limited
  - SKYCITY Darwin Pty Limited
  - SKYCITY Treasury Australia Pty Limited
- Directors: Peter Treacy and Robert Hamilton:
  - Horizon Tourism Limited
  - SKYCITY Investment Holdings Limited
- Directors: John Mortensen and Jo Wong:
  - SKYCITY Metro Limited

### *Non-wholly Owned Company Directorships*

As at 30 June 2017, SKYCITY also had an interest in, and was represented by SKYCITY executives on the boards of, the companies listed below:

- SKYCITY representative on the board – John Mortensen:
  - Force Location Limited

## WAIVERS FROM THE NEW ZEALAND AND AUSTRALIAN STOCK EXCHANGES

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

- on 9 February 2011, NZX granted SKYCITY a waiver from NZX Listing Rule 7.11.1 (which requires allotment to occur within five business days following the latest date on which applications for securities close) in relation to the allotment of shares pursuant to the company's Dividend Reinvestment Plan

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

## VOTING RIGHTS ATTACHED TO SECURITIES

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

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

The total number of listed voting securities of SKYCITY Entertainment Group Limited as at 30 June 2017 was 667,376,523.



### LONG TERM INCENTIVE SHARES

As at 1 August 2017, a total of 2,248,124 shares were issued under the SKYCITY Senior Executive Long Term Incentive Plan (initially approved by directors in September 2009) and held by Public Trust on behalf of 18 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);
- Casino Act 1997 (South Australia);
- Gaming Control Act (Northern Territory); and
- legislation providing for the establishment, operation and regulation of casinos in any other jurisdiction in which SKYCITY or any of its subsidiaries may hold a casino licence.

SKYCITY needs to ensure when it participates in gaming activities that:

- it has the power under its constitution to take such action as may be necessary to ensure that its suitability to do so in a particular jurisdiction is not affected by the identity or actions (including share dealings) of a shareholder; and
- there are appropriate protections to ensure that persons do not gain positions of significant influence or control over SKYCITY or its business activities without obtaining any necessary statutory or regulatory approvals in those jurisdictions.

Accordingly, the constitution contains the following provisions restricting the acquisition of shares in the company to achieve this.

Clause 12.11 of the constitution provides that if a transfer of shares results in the transferee, and the persons associated with that transferee:

- holding more than 5% of the shares in SKYCITY; or
- increasing their combined holding further beyond 5% if:
  - they already hold more than 5% of the shares in SKYCITY; and
  - the transferee has not been approved by the relevant regulatory authority as an associated casino person of any casino licence holder,

then the votes attaching to all shares held by the transferee and the persons associated with that transferee are suspended unless and until either:

- each regulatory authority advises that approval is not needed; or
- any regulatory authority which determines that its approval is required approves the transferee, together with the persons associated with that transferee, as an associated casino person of any applicable casino licence holder; or
- the board of the company is satisfied that registration of the proposed transfer will not prejudice any casino licence; or
- the transferee and the persons associated with that transferee dispose of such number of SKYCITY shares as will result in their combined holding falling below 5% or, if the regulatory authorities approve in respect of the transferee and the persons associated with that transferee a higher percentage, the lowest such percentage approved by the regulatory authorities.

If a regulatory authority does not grant its approval to the proposed transfer, SKYCITY may sell such number of the shares held by the transferee and by any persons associated with that transferee, as may be necessary to reduce their combined shareholding to a level that will not result in the transferee and the persons associated with that transferee being an associated person of that casino licence holder.

The power of sale can only be exercised if SKYCITY has given one month's notice to the transferee of its intention to exercise that power and the transferee has not, during that one month period, transferred the requisite number of shares in SKYCITY to a person who is not associated with the transferees.

During the financial year ended 30 June 2017, the board considered all such transfers and was satisfied in each case that the registration of the relevant transfer would not prejudice any casino licence.

### DONATIONS

Donations of \$27,171 were made by the company during the financial year ended 30 June 2017 (\$10,041 during the financial year ended 30 June 2016).

### REVIEW OF OPERATIONS AND ACTIVITIES

A detailed review of the operations and activities of the company for the financial year ended 30 June 2017 is set out in the Chairman's Review on pages 4-7 of this annual report and Chief Executive Officer's Review on pages 8-11 of this annual report.

## OTHER LEGISLATION/REQUIREMENTS

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

Other than the provisions noted on page 92 of this annual report, the only significant restrictions or limitations in relation to the acquisition of securities are those imposed by New Zealand laws relating to takeover, overseas investment and competition.

The New Zealand Takeovers Code creates a general rule under which the acquisition of more than 20% of the voting rights in SKYCITY, or the increase of an existing holding of 20% or more of the voting rights in SKYCITY, can only occur in certain permitted ways. These include a full takeover offer in accordance with the Takeovers Code, a partial takeover offer in accordance with the Takeovers Code, an acquisition approved by an ordinary resolution, an allotment approved by an ordinary resolution, a creeping acquisition (in certain circumstances), or compulsory acquisition if a shareholder holds 90% or more of the shares in the company.

The New Zealand Overseas Investment Act 2005 and the Overseas Investment Regulations 2005 regulate certain investments in New Zealand by overseas persons. In general terms, the consent of the New Zealand Overseas Investment Office is likely to be required when an 'overseas person' acquires shares or an interest in shares in SKYCITY Entertainment Group Limited that amount to 25% or more of the shares issued by the company or, if the overseas person already holds 25% or more, the acquisition increases that holding.

The New Zealand Commerce Act 1986 is likely to prevent a person from acquiring shares in SKYCITY if the acquisition would have, or would be likely to have, the effect of substantially lessening competition in a market.

## ESCROW AND BUY-BACK ARRANGEMENTS

SKYCITY Entertainment Group Limited has no securities subject to an escrow arrangement.

From time to time, the Public Trust acquires shares in the company on-market for the purposes of the SKYCITY Senior Executive Long Term Incentive Plan as detailed above. In addition, SKYCITY (or a nominee or agent of SKYCITY) may, from time to time, acquire existing shares in the company to satisfy its obligations to participating shareholders under the company's Dividend Reinvestment Plan established in February 2011. As at the date of this annual report, the company does not have in place an on-market share buy-back programme.

## CREDIT RATING

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

## FINAL DIVIDEND

In respect of the financial year ended 30 June 2017, a final dividend of 10 cents per share will be paid on 15 September 2017 to all shareholders on the company's register at the close of business on 1 September 2017.

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 1 September 2017. 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  
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

## AUDITOR

### PricewaterhouseCoopers

188 Quay Street  
Private Bag 92162  
Auckland

## SOLICITORS

### Russell McVeagh

Vero Centre  
48 Shortland Street  
PO Box 8  
Auckland

### Bell Gully

Vero Centre  
48 Shortland Street  
PO Box 4199  
Auckland

### Webb Henderson

110 Customs Street West  
PO Box 105-426  
Auckland

## SUPERVISOR FOR BONDS

### The New Zealand Guardian Trust Company Limited

Dimension House  
99-105 Customhouse Quay  
PO Box 3845  
Wellington

## REGISTRARS

### NEW ZEALAND

### Computershare Investor Services Limited

Level 2  
159 Hurstmere Road  
Takapuna  
Private Bag 92119  
Auckland

Telephone:  
+64 9 488 8700  
Facsimile:  
+64 9 488 8787  
Email: [enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz)

### AUSTRALIA

### Computershare Investor Services Pty Limited

Level 4  
60 Carrington Street  
Sydney NSW 2000  
GPO Box 7045  
Sydney NSW 2000

Telephone:  
+61 2 8234 5000  
Facsimile:  
+61 2 8234 5050  
Email: [enquiry@computershare.co.nz](mailto:enquiry@computershare.co.nz)



