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30 September 2011

Listed Company Relations
NZX Limited
Level 2, NZX Centre
11 Cable Street
WELLINGTON

RE: SKYCITY ENTERTAINMENT GROUP LIMITED (SKC) SHAREHOLDER REVIEW, ANNUAL REPORT AND RELATED DOCUMENTS

In accordance with NZX Listing Rule 10.8.2, please find **attached** the following documents relating to SKYCITY Entertainment Group Limited ("**SKYCITY**"), which are being mailed to SKYCITY security holders:

(a) SKYCITY Shareholder Review for the year ended 30 June 2011;
(b) Notice to SKYCITY shareholders pursuant to NZX Listing Rule 10.5.4(b);
(c) Letter to SKYCITY shareholders; and
(d) Letter to SKYCITY capital noteholders.

In addition, in accordance with NZX Listing Rule 10.5.1(a), please find **attached** SKYCITY's Annual Report for the year ended 30 June 2011, which will be available from SKYCITY's website later today.

Yours faithfully

Peter Treacy
Company Secretary

SKYCITY ENTERTAINMENT GROUP LIMITED

THE City

SHAREHOLDER REVIEW YEAR ENDED 30 JUNE 2011

SKYCITY

OVER

5,500

CONTENTS

SUBSTANTIAL

,000

PEOPLE PLAY, STAY & WORK WITH US IN AUCKLAND ALONE EVERY YEAR.

IN REGIONAL ECONOMIES

- BIGGEST PRIVATE SECTOR RATEPAYER IN AUCKLAND ($4.3M IN 2011, INCLUDING WATER RATES)

IN TOURISM

- LEADING WORLD-CLASS CASINOS
- AWARD-WINNING RESTAURANTS & BARS
- 1 IN 3 INTERNATIONAL TOURISTS VISIT THE SKY TOWER
- SKYCITY AUCKLAND JUDGED 'AUSTRALASIA'S LEADING CASINO RESORT' IN 2009 WORLD TRAVEL AWARDS IN LONDON
- SKYCITY GRAND HOTEL VOTED 18TH IN THE TOP 100 HOTELS IN THE WORLD SURVEY 2011 (EXPEDIA)

MAKING OUR

IN EVENTS

- MAJOR SUPPORTER OF LOUIS VUITTON REGATTA
- WORLD RALLY CHAMPIONSHIP
- DARWIN AND ADELAIDE V8s
- WORLD JUNIOR SURFING
- UNDER-19 WORLD BASKETBALL CHAMPIONSHIPS
- HOST OF RISE UP FOR CHRISTCHURCH TELETHON
- PRIME MINISTER'S DINNER FOR CHRISTCHURCH

IN EMPLOYMENT

- BIGGEST PRIVATE SECTOR EMPLOYER IN AUCKLAND'S CBD – WITH OVER 3,000 EMPLOYEES
- A DIVERSE WORKFORCE WITH OVER 60 ETHNICITIES EMPLOYED
- 40,000 JOB SEEKERS ON POTENTIAL EMPLOYEE DATABASE

IN COMMUNITIES

- SINCE 1996, SKYCITY AUCKLAND COMMUNITY TRUST HAS DONATED OVER $24 MILLION TO MORE THAN 1,300 ORGANISATIONS
- IN FY11, OVER $2.5 MILLION DONATED TO 237 ORGANISATIONS IN AUCKLAND
- $518,980 TO 122 ORGANISATIONS IN HAMILTON
- $95,378 TO 44 ORGANISATIONS IN QUEENSTOWN
- $750,000 TO THE CHRISTCHURCH EARTHQUAKE APPEALS

IN ENTERTAINMENT

- OPENED THE GRILL BY SEAN CONNOLLY, 2 SEPTEMBER 2011
- UNDER THE GRILL – SIX EPISODES AT 8PM ON TV3
- OPENED DEPOT BY AL BROWN ON 12 AUGUST TO GREAT ACCLAIM
- BELLOTA VOTED METRO BEST OF AUCKLAND 2010 WINNER OF ‘BEST TAPAS BAR’
- LARGEST FOOD AND BEVERAGE OPERATOR IN AUCKLAND
- 19 KITCHENS USE ALMOST 1,000,000 EGGS PER YEAR

PRESENCE FELT

IN DEVELOPMENTS

- SELECTED PREFERRED DEVELOPER OF THE $350M NEW ZEALAND INTERNATIONAL CONVENTION CENTRE
- $50 MILLION REVITALISATION OF AUCKLAND PROPERTY IN FY11
- PROPOSED A$250 MILLION ADELAIDE REDEVELOPMENT

AS AN INVESTMENT

- PUBLICLY LISTED IN NZ AND AUSTRALIA
- MARKET CAP OF $2 BILLION

IN PAYMENTS TO GOVERNMENT

- $139 MILLION TO NZ GOVERNMENT IN FY11 THROUGH INCOME TAX, GAMING DUTY, GST, PAYE, ACC LEVIES AND OTHER STATUTORY CHARGES

INFORMATION CORRECT AS AT 16 SEPTEMBER 2011

KEY ACHIEVEMENTS & FINANCIAL HIGHLIGHTS

RECORD underlying normalised net profit after tax of $130.9 million; reported net profit after tax of $123.0 million, which includes a write-down of $15.0 million in our stake in the Christchurch Casino.

HEALTHY growth in normalised revenues – driven by good momentum in earnings in the second half across the Group.

AUCKLAND completes 12 exciting development capex projects that will transform the property and deliver growth in the years ahead. These include world class gaming facilities, luxury accommodation and signature restaurants and bars.

SKYCITY is named as the preferred developer of the New Zealand International Convention Centre in Auckland. Negotiations are continuing.

WE continue to present our concept for a redeveloped Adelaide Casino to the South Australian Government and other key stakeholders. We are excited by the potential of the expanded Convention Centre and Adelaide Oval.

SUBJECT to re-election by shareholders, Chris Moller will replace Rod McGeoch as Chairman, following Rod's retirement at the 2012 Annual Meeting. This year, Bruce Carter was appointed Deputy Chairman – giving the Board a strong Trans-Tasman footing.

OUR GOALS & OBJECTIVES

Our goals and objectives remain focused on maximising value for our shareholders. SKYCITY continues to be a top performer in terms of total shareholder returns.

RECORD UNDERLYING NORMALISED NET PROFIT AFTER TAX OF ↑
$M 130.9

REPORTED NET PROFIT AFTER TAX OF ↑
$M 123.0

NORMALISED REVENUE ↑
$M 877.0

NORMALISED EBITDA ↑
$M 290.9

NET TANGIBLE ASSET BACKING PER ORDINARY SHARE ↑
63.2 CENTS

NET DEBT: EBITDA →
2.0 : 1

NORMALISED EARNINGS PER SHARE ↑
22.7 CENTS PER SHARE

FULL YEAR DIVIDENDS
16.0 CENTS PER SHARE

WEIGHTED AVERAGE DEBT MATURITY ↑
4.2 YEARS

PLANNING AHEAD

2011 FINANCIAL YEAR OVERVIEW

It is my pleasure, on behalf of the Board, to report another strong result for SKYCITY this year. Normalised net profit after tax (NPAT) for the year to the end of June 2011 of $130.9 million was up 4 percent on last year. Reported NPAT of $123.0 million represents an increase of 20.5 percent on last year and is after providing a $15 million impairment write-down on the Christchurch property.

ROD MCGEOCH / CHAIRMAN ON BEHALF OF THE SKYCITY BOARD

ECONOMIC conditions remained tough in the first half but then lightened a little, resulting in a 4.5 percent increase in normalised total Group revenue of $877.0 million. Normalised earnings before interest, tax, depreciation and amortisation (EBITDA) of $290.9 million were up 1.3 percent, fuelled by good EBITDA growth from the International Business and Adelaide.

A MEASURED REFRESHMENT OF THE BOARD

As Chair, I announced my intention at last year's Annual Meeting to resign at the 2012 Annual Meeting, so it is pleasing to report that successors have already been finalised. Subject to his re-election at the Annual Meeting, Chris Moller will take over the role of Chairman in October 2012. Bruce Carter was appointed Deputy Chairman in August 2011. Together, these decisions ensure a smooth and seamless change-over. Both individuals are committed and experienced, and their appointments should also be read by shareholders as a sign of a more Trans-Tasman approach to our governance. The Board will continue to

FINAL DIVIDEND FOR 2011

8 CENTS

PER SHARE

6.1%

GROSS DIVIDEND YIELD

have people at its helm with a very practical understanding of our markets, landscapes and regulators and who are geographically located to represent SKYCITY on a range of occasions.

This year sees the retirement of one of our most experienced and valued directors. Sir Dryden Spring, who has been with us for many years and whose experience, wisdom and knowledge in areas as diverse as audit, remuneration and market sentiment, are highly valued. Dryden has played an important and constant role as we have refreshed the Board over recent years and our deepest thanks to him for all that he has done and for the sustained and immense commitment that he has made to the business.

CONTINUING TO ROLL OUT OUR STRATEGIC PLANS

The Rugby World Cup has been very influential in our strategic settings this year, so it is immensely satisfying to see that an ambitious timetable of developments was indeed completed on time and for a budget that many operators would be very pleased to have achieved. We have, to use a popular phrase, achieved a very good 'bang for our buck'.

Once again, the Group ends the year in a strong financial position, with the balance sheet robust and debt well under control, the surge of rugby's biggest event dominant across two of our first six trading months of the new year and what looks to be a revitalising New Zealand economy.

It's important to recognise too that reinvestment in the business doesn't stop here. On the contrary, the work done in time for the Rugby World Cup is part of the overall strategic plan for the company that it will continue to roll out over the next five years. As we continue to fine tune and implement our plan, shareholders should be assured that the Board has, in all its deliberations, worked prudently to invest shareholders' funds with the utmost care. As our biggest property, Auckland is hugely important to us and we have been very pleased with the improvements made to that property over the last 9 months – from our international Horizon Suites, to Al Browns "Depot" and Sean Connolly's "The Grill". Making improvements in our performances on that site, against a fast-changing and increasingly competitive international backdrop, will positively impact the whole company and the business' performance over the last 6 months in that regard has been pleasing.

FINAL DIVIDEND FOR THE YEAR

The final dividend for the 2011 year is 8 cents per share, which represents an annualised gross dividend yield of 6.1 percent based on the current share price, taking the total dividend/distribution for 2011 to 16 cents per share. At 70 percent of NPAT (excluding the deferred tax adjustment and the Christchurch impairment), this is at the upper end of our policy range. This dividend will be paid in cash on 7 October 2011 to those shareholders on the register as at 30 September 2011. The final dividend is 60 percent imputed at the company's tax rate of 28 percent and 60 percent franked for Australian purposes. The dividend reinvestment plan (DRP) will apply to the final dividend for the year, but with no discount, for those shareholders electing to participate by 30 September 2011.

CHRISTCHURCH

No discussion of the past year would be complete without acknowledgment of events in Christchurch. Staff, management and the Board have been as overwhelmed in human terms as anyone by what occurred there. Direct reports from our staff, relatives and from one of our own directors, Sue Suckling,

really brought the tragedy home, and I speak for the whole Board when I say that we have been amazed by the resilience and spirit of those who live and work in the city. I'm satisfied that we have done what we could to help, both for the people of Christchurch and for our own people on the ground to offer assistance and to maintain their employment.

It is surely nothing short of amazing that, at year end, the Christchurch Casino property has returned to nearly 80 percent of its pre-quake performance. My thanks on behalf of the Board to all those who have continued to work so hard to achieve such a recovery. While we have included an impairment write-down on the Christchurch property in the results this year as a risk minimisation measure, I can assure everyone that we are committed to the property and to staying in Christchurch.

SINCERE THANKS

My thanks to Nigel Morrison and his Executive Management team for the huge energy and skill with which they have once again guided the Group through a very busy year. Achieving this result in such difficult trading conditions is a tribute to the calibre of the leadership team that Nigel has attracted, and to the sustained improvements in the productivity of the business.

Thanks also to everyone who works at SKYCITY. Good work. While some of you join the business for a career, others come on board to make the most of the on-the-job opportunities generated by an operation that runs all day, every day. The company has a proud track record as a training base, and, after spending time with us, many young people are able to take their new skills to new roles across the world. It's an aspect of what we do that we should take great pride in.

LOOKING AHEAD

We end the year in good shape, with growth in our International and domestic businesses and with the Rugby World Cup having recently kicked off.

As we continue to position ourselves for growth, find efficiencies in our business, invest carefully in the attractions that keep us competitive, and look to negotiate commercial returns for major projects such as the International Convention Centre in Auckland there's a real feeling of a bright future for SKYCITY. I look forward to sharing my thoughts on our first quarter's performance and on the company's outlook at our forthcoming Annual Meeting. ■

ROD MCGEOCH / CHAIRMAN ON BEHALF OF THE SKYCITY BOARD

As we continue to position ourselves for growth, find efficiencies in our business, invest carefully in the attractions that keep us competitive… there's a real feeling of a brighter future for SKYCITY.

A vital part of city life.

CERTAINLY, SKYCITY has a pivotal role to play in the changing economy of the new super-city of Auckland. This year, we introduced game-changing initiatives at our Auckland property that will lift both the city's and SKYCITY's attractiveness as a tourism destination. We have reached an inflexion point. As the economy shows signs of revival and the Rugby World Cup takes place, we are as well positioned as we planned to be to offer visitors to our facilities the quality and variety of entertainment choices that are our hallmark. There are now more reasons than ever for more people to come to our properties, more often.

↑ 5.7%	↑ 20.5%	↑ 50 $M
INCREASE IN NORMALISED REVENUE IN THE SECOND HALF	INCREASE IN REPORTED NPAT WHICH INCLUDED A $15.0M WRITE-DOWN FOR CHRISTCHURCH	REVITALISATION OF AUCKLAND PROPERTY

NIGEL MORRISON /

MANAGING DIRECTOR
AND CHIEF EXECUTIVE OFFICER

At year end, there are clear signs of returning economic confidence. We saw that particularly in the second half of the year when revenues stabilised or grew right across the business. Normalised revenue in the second half of $429.9 million was up 5.7 percent on last year. Normalised NPAT increased by a similar amount, year on year, for the same period.

Overall, a 20.5 percent increase in reported NPAT, which included a $15.0 million impairment for Christchurch, proved growth was possible in a slower economy when costs are contained and the business remains competitive, proactive and focused in its pursuit of maximising value. The result for investors was a 3.7 percent increase in earnings per share to 22.7 cents. At the same time, we invested actively and astutely in development projects that will deliver us growth for years to come.

FOCUS ON AUCKLAND

Auckland has been our key focus as we turned our attention to ensuring that our business was placed as best as it could be for the Rugby World Cup. This is the largest event of its type that the country has ever seen, and with up to 100,000 international visitors expected, we have everything in place to capitalise on this opportunity. During October, our hotels are fully booked. Our new Horizon Suites and 'EIGHT' gaming facilities will give VIPs and international gaming patrons the facilities and high limits that they are looking for and provide them with a "world-class" experience. Our new restaurants on Federal Street, opened in partnership with outstanding restaurateurs, 'Depot' by Al Brown, 'The Grill' by Sean Connolly and 'Red Hummingbird' by Luke Dallow have opened to great acclaim and to meet demand and to showcase the very best of New Zealand produce. A variety of new outlets within the venue offer new entertainment choices: from the sports bar atmosphere of 'The Nation's Clubrooms' to 'The Twelve' wine bar, a 'Chivas Regal' bar and the new 'Mumm Champagne Bar' in the Sky Tower. All of this helps position Federal Street and SKYCITY as a destination for outstanding restaurants and bars. Our new Diamond and Platinum gaming rooms will cater to our core local business together with our new 'Fortuna' buffet. Many of these spaces have been created out of largely non-revenue generating real estate. 'The Grill', for example, is where the reception used to be in The Grand Hotel; 'EIGHT' replaces a pool on the roof of the SKYCITY Hotel.

↑ **12** PROJECTS

COMPLETED IN 2011

ACROSS THE GROUP

3.8%

AUCKLAND REVENUE GROWTH. SECOND HALF OF THE YEAR

8.9%

ADELAIDE EBITDA FOR THE YEAR

50%

INTERNATIONAL BUSINESS TURNOVER

We have essentially reinvested the proceeds from the Cinema sale into a $60 million transformation of our Auckland flagship property over the 2011 calendar year – and we have done so with the confidence that this represents a much better use of these funds to secure an above market-rate return for shareholders. It has been a great effort by the team and our partners in completing all of these projects on time and to the standard that we have demanded. Our decision to deal with established New Zealand companies such as Moller Architects, Beca and Hawkins helped us hit our time and budget targets.

With Federal Street getting off to an awesome start – with the three new outlets joining Peter Gordon's 'dine' and 'Bellota' we'd like to go further. We are very keen to transform Federal Street into a more pedestrian friendly precinct of great restaurants and we are working with the Auckland Council to try and realise this.

Everything we're doing is about generating incremental growth and finding creative and relevant ways to increase our overall attractiveness. We are positioning Federal Street as an entertainment-oriented destination for Aucklanders and domestic and international visitors alike.

In the second half of this current financial year, we will also introduce the brand new Bally gaming system across our business. This will improve our offerings and our overall operations, and, as one of the first companies in the world to go live with the system, we are expecting it to dramatically lift enjoyment levels.

ACROSS THE GROUP

Auckland

We've definitely seen momentum building in Auckland over the past year. The establishment of the super-city positions Auckland as a destination not just a gateway, and has lifted confidence and investment levels. The city is investing in important infrastructure, and we too have kept track, creating new spaces for more customers and working with key tourism participants to achieve growth in our core business sectors. We're now seeing sustained underlying growth in Auckland for the first time in a long time.

Auckland returned to revenue growth of 3.8 percent in the second half of the year, to $214.9 million, up $7.9 million, driven by improved gaming machine revenues which lifted by 4.5 percent for the year, and 10.5 percent in the second half. That momentum has continued into the new year with revenues for the first 6 weeks of FY12 up 15 percent year on year.

While table game revenues were down a disappointing 5.9 percent, due to the continuing economic challenges for the local VIP market, non gaming revenues increased by 4.5 percent in a tough and competitive environment. Room rates for both hotels held up well. Main gaming floor revenues rebounded modestly in the final quarter and our expectation is that the opening of 'EIGHT', with its enhanced facilities for local premium table players, should see high-end table games improve. We have already commenced changes to our table games format to de-clutter the spaces and make them more appealing for our customers.

International Business

Our International Business had another strong year. Turnover was up 50 percent to $2.76 billion thanks to growth from Asian markets. Normalised EBITDA was up 93 percent to $8.5 million, and we're forecasting continued growth from China and across Asia into the year ahead. Over two thirds of this business took place in Auckland, helped significantly by greater airlift from key markets, an increased marketing presence internationally and a streamlined visa process. With the substantial investment we have now made in the new VIP gaming salons and accommodation at 'Horizon' as well as the new premium gaming facility 'EIGHT', we have in effect quadrupled our capacity and closed the gap between what we have been able to offer and what was available elsewhere. With an offering that now matches anything offered to high end Asian players in Macau, Singapore or Australia in terms of service and hardware, we expect our International Business to continue to perform well.

Adelaide

Adelaide achieved its third consecutive year of growth with EBITDA up nearly 9 percent this year to A$34.3 million. A soft retail environment in Adelaide saw us change our approach in the second half to good effect. By targeting higher value players, we were able to achieve strong growth across our casino business. We also relaunched our loyalty programmes for Gold and Silver members. Meanwhile, David Christian and his team worked hard behind the scenes to streamline costs in the back office without compromising our front of house experiences.

> With business confidence in New Zealand improving, positive employment statistics, retail turnover growth and a stable interest rate environment, we are confident of a consistent economic backdrop for the business over the next 12 months.

Darwin

Darwin's steady growth was challenged by the smoking ban introduced a year ago, and we're finding it's taking longer than we had expected to recover from that. The softer than desirable trading at Darwin has not been helped by a drop in tourism, with the high Australian dollar encouraging many to holiday overseas, an extended wet season, a depressed local housing market, the banning of live cattle exports and the re-programming of key infrastructure projects scheduled for the territory.

Brad Morgan took up the role of General Manager in Darwin in October last year. Since then, he's reinvigorated the executive team and made changes to enhance the potential operating performance of the business going forward. We are confident as the economy improves in Darwin and the Northern Territory the Darwin Casino will return to growth. We continue to progress with our Little Mindil lagoon resort development and look forward to its opening in July/August next year.

Hamilton

Hamilton had a very positive year with Waikato's dairy economy helping to increase EBITDA by 4.2 percent. We were particularly pleased with Hamilton's 9.7 percent revenue growth in the second half – a very pleasing and solid performance. We'll look to build on that by expanding restaurant and bar offerings in Hamilton, with a significant upgrade of the 'Rebo Restaurant' to accompany the recent opening of new Asian cuisine restaurant, 'Silk'.

COMMITTED TO CHRISTCHURCH

Shareholders will be aware that SKYCITY owns a 50 percent stake in the Christchurch Casino, which has, like so many other buildings and businesses in the city, been impacted by the Canterbury earthquakes. This has been a devastating sequence of events. While the Casino itself did not sustain significant physical damage, it was closed between 22 February and 27 May 2011 because of its location inside the restricted cordon.

Full insurance cover for the building is in place, however we have chosen this year to record a $15.0 million impairment as a one-off item to reduce our carrying value. While this write-down in Christchurch Casinos Limited represents a decline in our historical assessment of the facility's valuation, we remain committed to our investment and to our customers in Canterbury. I'm satisfied that we have done all we could to protect jobs and livelihoods through voluntary redundancies and I am pleased to say we did not have any forced redundancies. I want to assure everyone though, and Christchurch people in particular, that we are confident the business can be restored and that we have an important role to play in reviving the Christchurch economy as the city recovers. Already, as the Chairman has noted, there has been a strong return in business. Our thoughts and best wishes continue to go out to all those who have been affected.

STRONG, ASSET BACKED BALANCE SHEET

Our balance sheet is strong and asset backed, with $991 million in land, buildings, and other fixed assets and a financing structure that is solid and stable with a conservative two times "Net Debt to EBITDA" gearing.

Spending on maintenance capex remained the same as last year at $44 million. Development capex was financed by cashflow.

We significantly strengthened our long term funding profile during the year, repaying the ACES facility in December 2010 and taking advantage of a new USPP (Private Placement issue) of US$175 million ($75 million on a seven year term, and the remaining $100 million on a 10 year term). Our next debt maturity is the current USPP tranche of $247 million which is due in March 2012. Currently we have significant financial flexibility around our refinancing options for this USPP debt, considering our committed and undrawn NZ banking facility of $400 million or the option of rolling this debt into a new USPP facility that would mature from 2019.

The more important news for investors is that we are confident that we can finance our key strategic projects which are currently under consideration from our existing and potential debt facilities without overly stressing the balance sheet.

THANKS

People at SKYCITY have worked hard this year to deliver a sound result in what has at times been a challenging and disrupted environment: from the earthquakes in Christchurch, and all the emotional turmoil they naturally generated, through to demanding construction schedules. My thanks to all of you across New Zealand and Australia for being so diligent and committed.

I'd also like to take this opportunity to thank the Board, Chairman Rod McGeoch and my fellow Directors, for their guidance and advice throughout the year, and to the Executive Management team who have been unrelenting in their pursuit of efficiencies and opportunities throughout the year. This year, Alistair Ryan left the company after many years of loyal service as Chief Financial Officer. Our thanks and good wishes to him for the years ahead. His replacement is James Burrell, who we welcome to the team and who I expect to play a key role in our growth plans going forward.

OUTLOOK

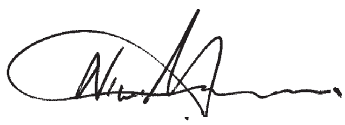
This result represents a solid platform for further growth. With business confidence in New Zealand improving, positive employment statistics, retail turnover growth and a stable interest rate environment, we are confident of a consistent economic backdrop for the business over the next 12 months.

We have real expectations for solid growth across our core businesses during the Rugby World Cup. October is going to be an amazing month to be in Auckland. We believe the city is on the verge of transformation into a major events capital in the Pacific and we're determined to be part of the excitement that generates, with Federal Street now well underway and a much greater airlift bringing lucrative International Business to Auckland from Asia to sample our brand new facilities. Meanwhile, we will continue to prudently invest in our facilities to enhance our competitiveness regionally.

In Australia, there is little doubt that the retail environment has softened compared to recent years, however second half momentum in Adelaide and firming trends in Darwin lead us to believe that we will see growth in our Australian operations in 2012. In Darwin in particular, the continuing development of our Tropical Resort will provide the Northern Territory with a compelling and integrated tourism and VIP gaming offering once it is completed.

We are excited about the outlook, particularly for our flagship Auckland site, and I look forward to updating you on our first quarter performance and on the impact of the Rugby World Cup at the Annual Meeting in November.

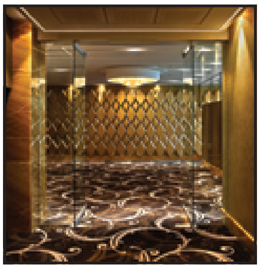
Go the Mighty All Blacks!! ■



NIGEL MORRISON / CHIEF EXECUTIVE

dine by Peter Gordon

Visit the Sky Tower



Diamond Lounge

Casino and restaurants

KEY ATTRACTIONS

2011 This year we have unveiled inspiring new spaces for our existing customers as well as introduced exciting spaces for new customers. New International and VIP world-class gaming facilities, new luxury suites and exciting new signature restaurants and bars in our Federal Street precinct add to the sense of excitement.

PLATINUM ROOM. OPENED END OF MAY.

All the customer-facing areas have been upgraded, significantly lifting the quality of the product, amenities and service levels. Customer reaction has been very good with increased visitation.

HORIZON SUITES AND GAMING SALONS OPENED 18 JULY.

Our new high-end International VIP gaming facilities. Four new world-class international gaming salons, featuring 12 tables, connected to four luxurious hotel suites. Horizon is already proving very popular indeed with our international VIP customers.

'EIGHT' OPENED 30 AUGUST.

Phase 2 of our new VIP gaming facilities covers two new floors (levels 8/9) on top of the SKYCITY Hotel building with views over Auckland Harbour and the CBD. 'EIGHT' features 16 high limit table games and 16 machines in a space three times larger than the Pacific Room. Primarily it caters for local VIP premium tables customers. Level 9 features premium food and beverage offerings indoors along with an extensive covered entertaining deck and balconies.

DIAMOND ROOM. OPENED 19 AUGUST.

An extension of our licensed gaming area, created by converting what was previously a buffet restaurant, into a further VIP gaming room with dedicated buffet and bar.

'FORTUNA'. LOCATED ON LEVEL 3. OPENED 24 AUGUST.

This 280-seat restaurant, adjacent to the Platinum Room, offers all day, buffet style dining for those who are gaming.

'THE NATION'S CLUBROOMS', LEVEL 3. OPENED 9 SEPTEMBER.

This new sports bar, the home of sports in Auckland, features all forms of sports on the large TV screens and live entertainment. It's located where the Pacific Room used to be and will help SKYCITY leverage its sponsorships of the Auckland Blues, NZ Warriors and the SKYCITY Breakers.

We also created a range of temporary hospitality venues specifically for the Rugby World Cup:

A wine bar '**The Twelve**'. Located in the atrium. Opened 30 August.

'**Chivas Regal**' bar. Located at The Deck. Opened 24 August.

'**Mumm Champagne Bar**'. In the Sky Lounge of the Sky Tower. Opened 24 August. ■

AUSTRALIA

DARWIN

RESTAURANTS/BARS/CAFES	9
HOTEL ROOMS	120
GAMING MACHINES	750
GAMING TABLES	33
EMPLOYEES	1,617*

ADELAIDE

RESTAURANTS/BARS/CAFES	8
GAMING MACHINES	971
GAMING TABLES	90
EMPLOYEES	1,072

THE **GROUP**

6,654
EMPLOYEES

* varies seasonally from 639/1,617

A city of festival

Wood-fired pizza

Adrenaline for some

Bars for many

NEW ZEALAND

AUCKLAND

RESTAURANTS/BARS/CAFES	25
HOTEL ROOMS	660
GAMING MACHINES	1,647
GAMING TABLES	110
EMPLOYEES	3,013

HAMILTON

RESTAURANTS/BARS/CAFES	6
GAMING MACHINES	339
GAMING TABLES	23
EMPLOYEES	332

CHRISTCHURCH

RESTAURANTS/BARS/CAFES	5
GAMING MACHINES	500
GAMING TABLES	36
EMPLOYEES	550

QUEENSTOWN

RESTAURANTS/BARS/CAFES	2
GAMING MACHINES	86
GAMING TABLES	12
EMPLOYEES	70

55	780	304	4,293
RESTAURANTS / BARS / CAFES	HOTEL ROOMS	GAMING TABLES	GAMING MACHINES

PUTTING **FEDERAL STREET** ON THE MAP

ALL THREE OF OUR NEW SIGNATURE BARS AND RESTAURANTS ARE NOW OPEN.

DEPOT BY AL BROWN.
OPENED 12 AUGUST.

Designed for around 65 patrons.

Depot, says Al Brown, is a place for fun and conversation; a refuelling station that features wonderful products from a range of small New Zealand producers. The food is cooked over charcoal or in a wood-fired oven, and there's a raw bar where patrons can have oysters shucked to order. Wine is available in a tumbler or a glass.

Al Brown: "Federal Street really stands out from the other quarters. It has a very different look and feel that I'm very taken with. This is going to be the precinct for entertainment in the years ahead. I've had the freedom to design a space and a style of food that I think is right for Auckland and this area in the years ahead – and it comes with the back-up of SKYCITY's size and experience. It's wonderful to be part of what's happening here … to be in on the ground floor."

THE GRILL BY SEAN CONNOLLY.
OPENED 2 SEPTEMBER.

Holds up to 120 patrons.

Designed and overseen by 5-star Sydney chef, Sean Connolly, The Grill is the city's newest premium steak restaurant.

In his own words, "bringing people together is what good dining is all about. So, at The Grill we take pride in offering you a relaxed, uncomplicated atmosphere. An atmosphere that complements our fresh, honest fare, simply prepared to let the natural flavours shine through. So come on down to Federal Street and enjoy life at The Grill. You'll always be welcome here."

TV3 followed Sean and his team during the development of The Grill. This was part of a six episode series 'Under the Grill' that showed at 8pm on TV3. ■

RED HUMMINGBIRD BY LUKE DALLOW.
OPENED 13 AUGUST.

Holds almost 200 patrons.

Luke Dallow says Red Hummingbird is the perfect place for a catch-up. It's the local gastro-pub on the corner in the CBD, a place to enjoy food like that you'd like to find in your fridge. The mood is relaxed and casual; the menu, your choice of everything from eel to salmon to crisps, washed down with delicious wines, spirits and cocktails.

"There's a range of different eateries in this precinct and each will attract its own segment of local support," says Luke. "I've really enjoyed the experience of working with SKYCITY. It's been easy. And I'm confident that in years to come Federal Street will be an oak tree precinct, one of those established areas in Auckland that locals can't imagine being without."

ON THE **DRAWING BOARD**

NEW ZEALAND INTERNATIONAL CONVENTION CENTRE

In June this year, SKYCITY was selected by the New Zealand Government as the preferred developer of the New Zealand International Convention Centre. The convention and exhibition facility would add significantly to Auckland's tourism infrastructure, contribute valuable foreign earnings to the country and create 1,000 new jobs.

We have proposed to construct the facility on our site between Hobson and Nelson Streets and to fund up to $350 million of the build, subject to negotiating an appropriate package for shareholders that would procure an acceptable overall return on the investment. Specifically, we're seeking alterations to gambling regulations and legislation to allow us to extend our casino licence beyond its current expiry date of 2021, increase the number of gaming tables, multi-terminal gaming machines and electronic gaming machines at our facilities, that would help us meet the demand for entertainment that we cannot currently meet because of capacity constraints and make other changes to increase the efficiency of the Auckland Casino facilities and operations. Measures such as these would put us on a level playing field with our competitors in Sydney and Melbourne.

Negotiations are continuing and we look forward to providing a further update at the Annual Meeting in November. The Convention Centre would be scheduled for completion in early to mid 2015.

ADELAIDE CASINO REDEVELOPMENT

We're excited about the possibility of undertaking a major investment in the redevelopment and expansion of our Adelaide Casino as part of the transformation of the Adelaide Riverbank Precinct. SKYCITY would be prepared to invest up to A$250 million into the redevelopment of our property and surrounding precinct; which could include new bars, restaurants, carparking and entertainment spaces. SKYCITY is waiting to assess the South Australian Government's proposed future regulatory and operating framework so that it can be confident of delivering it shareholders an acceptable rate of return on this potential major investment. SKYCITY is seeking a regulatory environment which will enable it to compete on a level playing field with gaming facilities in other Australasian jurisdictions and internationally.

Legislation for the Adelaide Oval has now been passed, and the Government has work underway on its expansion of the neighbouring Convention Centre. We look forward to providing shareholders with a further update regarding this exciting opportunity at our Annual Meeting in November. ■

$M **350**

NEW ZEALAND INTERNATIONAL CONVENTION CENTRE

A$M **250**

POTENTIAL ADELAIDE CASINO REDEVELOPMENT

ROD MCGEOCH /
CHAIRMAN

TRUE
CITY PEOPLE

1. ROD MCGEOCH

CHAIRMAN
Chairman SKYCITY Board, Chairman of the Governance and Nominations Committee, Member of the Audit and Risk Committee, Member of the Remuneration Committee, appointed Director in September 2002 and Chairman of the Board on April 2004.

Based in Sydney, Australia, Rod is a director of Ramsay Health Care Limited. He is also Chairman of Vantage Private Equity Growth Limited and has been appointed to the BGP Holdings plc (Malta) and BGP Investment s.à.r.l (Luxembourg) boards. He is the Honorary Chairman of the Trans-Tasman Business Circle and the Co-Chairman of the Australia New Zealand Leadership Forum.

2. BRUCE CARTER

DEPUTY CHAIRMAN
Member of the Audit and Risk Committee, Member of the Governance and Nominations Committee, appointed Director in October 2010.

Bruce Carter is Partner of 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 a director of ASC Pty Ltd (Australian Submarine Corporation) and a director/chair of a number of private companies and government bodies. He is a Fellow of the Institute of Chartered Accountants.

2. ***Bruce Carter***

3. ***Chris Moller***

4. ***Brent Harman***

5. ***Peter Cullinane***

6. ***Sue Suckling***

7. ***Nigel Morrison***

3. CHRIS MOLLER

DIRECTOR
Chairman designate of SKYCITY*
Chairman of the Audit and Risk Committee, Member of the Governance and Nominations Committee, appointed Director in December 2008.

Chris Moller is currently Chairman of Meridian Energy Limited effective 1 January 2011. He is a director of NZX Limited, Westpac New Zealand Ltd, Rugby New Zealand 2011 Limited and he was appointed as Chairman of the New Zealand Transport Agency and of New Zealand Cricket Inc in 2010. In his previous role as CEO of the New Zealand Rugby Union, Chris jointly led New Zealand's successful bid to host the 2011 Rugby World Cup. Chris' career has included senior posts with the New Zealand Dairy Board, including global Chief Financial Officer and Managing Director of NZMP, the international ingredients business of the New Zealand Dairy Board and subsequently Fonterra, when he also held the position of Deputy Chief Executive of Fonterra. His early career was in the finance and banking sectors.

* subject re-election as a director, 2011 AGM.

4. BRENT HARMAN

DIRECTOR
Chairman of the Remuneration Committee and Member of the Governance and Nominations Committee, appointed Director in December 2008.

Brent Harman is an experienced broadcaster and company director with a background in managing publicly listed companies in Australia and the United Kingdom. He is presently the Chairman of GR Media Holdings Limited and a director of Metlifecare Limited. Prior to this, he held senior positions in the broadcast and new media industries in New Zealand, the United Kingdom and Australia.

5. PETER CULLINANE

DIRECTOR
Member of the Remuneration Committee, Member of the Governance and Nominations Committee, appointed Director in March 2008.

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

6. SUE SUCKLING

DIRECTOR
Member of the Remuneration Committee, Audit and Risk Committee and Governance and Nominations Committee, appointed Director in May 2011.

Sue Suckling is a director and consultant with over 25 years experience in corporate governance and was appointed as a SKYCITY director in 2011. Sue is currently the chair of the New Zealand Qualifications Authority, Barker Fruit Processors Limited, ECL Group Limited, Carter Price Rennie Limited and Stretton Publishing Company Limited. She is a director of Restaurant Brands NZ Limited and a member of the NZ Takeovers Panel. Previous governance roles included chairing NIWA, AgriQuality Limited, and as a director of Westpac Investments Limited and the NZ Dairy Board.

In 1996 she was awarded an OBE for her contribution to New Zealand business, she is a Fellow of the New Zealand Institute of Directors and a Companion of the Royal Society of New Zealand.

7. NIGEL MORRISON

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

1. *Nigel Morrison*

2. *James Burrell*

3. *Gráinne Troute*

4. *Peter Treacy*

EXECUTIVE **TEAM**

1. NIGEL MORRISON

CHIEF EXECUTIVE OFFICER

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

2. JAMES BURRELL

CHIEF FINANCIAL OFFICER

James joined SKYCITY in May 2011 and assumed the role of Chief Financial Officer on 1 July. As Group CFO, James is responsible for all financial matters including financial reporting, group treasury and internal audit. Prior to joining SKYCITY, James was based in the Hong Kong office of international private equity firm Permira, where he helped establish the company's office for the Greater China region. James has had a successful career in creating shareholder value and identifying, evaluating and financing a range of businesses acquired by Permira, including the US$840 million investment in Hong Kong listed Macau-based casino group Galaxy Entertainment Group in 2007. James is a chartered accountant originally from the United Kingdom, where he trained with Arthur Andersen in audit and transaction advisory services.

3. GRÁINNE TROUTE

GENERAL MANAGER GROUP SERVICES AND HUMAN RESOURCES

Gráinne was appointed General Manager Group Services and Human Resources in May 2008. Gráinne was previously Managing Director of HR consultancy Right Management, and prior to that, Managing Director of McDonald's Restaurants (New Zealand) Limited responsible for over 5,000 employees. She joined McDonald's in the early 1990s establishing the Human Resources function, progressing through to Executive Vice-President, and then to Managing Director. Prior to this, she led the HR function for Coopers and Lybrand Auckland (now PwC). In addition to her extensive HR expertise, Gráinne has had wide experience in board and charitable trust governance roles in New Zealand including having been Chair of Ronald McDonald House Charities New Zealand for five years.

4. PETER TREACY

GENERAL COUNSEL AND COMPANY SECRETARY

Peter Treacy was appointed General Counsel and Company Secretary in May 2008. Peter is responsible for SKYCITY's government relations, legal, regulatory and company secretarial functions. Peter has extensive experience in major international financing and corporate transactions, with many years international experience, including eight years as partner with international law firm Linklaters in London, Hong Kong and Bangkok.

5. ***Aaron Morrison***

6. ***Ejaaz Dean***

7. ***Stuart Wing***

8. ***David Christian***

5. AARON MORRISON

GENERAL MANAGER BUSINESS DEVELOPMENT AND INVESTOR RELATIONS

Aaron Morrison is responsible for overseeing and pursuing corporate business development and strategic growth opportunities, as well as managing investor and corporate stakeholder relations on behalf of the SKYCITY Group. Aaron has over 15 years experience in the casino and entertainment industry with various corporate and operational roles. Prior to joining SKYCITY in 2010, Aaron was SVP International Business Development for Crown Limited, where he was responsible for managing and executing a range of strategic corporate growth opportunities and transactions, across different international jurisdictions.

6. EJAAZ DEAN

PRESIDENT INTERNATIONAL BUSINESS

As President International Business, Ejaaz is responsible for the overall management of SKYCITY's International Business operations for all SKYCITY casinos. Ejaaz has more than 24 years experience in the casino industry, having previously held key management positions at Burswood Casino in Perth, Star City in Sydney and Crown Casino in Melbourne. His most recent role was as Chief Operating Officer – Gaming at Burswood Casino, where he was responsible for Table Games, Gaming Machines and International Business. Ejaaz joined SKYCITY Auckland in May 2008.

7. STUART WING

CHIEF OPERATING OFFICER – AUCKLAND

Stuart joined SKYCITY in March 2011 in the new position of Chief Operating Officer – Auckland. Within this role Stuart has responsibility for all operations of the Auckland property including gaming, restaurants and bars, hotels and conventions. Prior to joining SKYCITY, Stuart was the Managing Director of Tabcorp's Jupiters Hotel and Casino on Australia's Gold Coast. He has over 15 years experience as a senior executive in the casino and hotel industry.

8. DAVID CHRISTIAN

GENERAL MANAGER ADELAIDE CASINO

David Christian was appointed SKYCITY Adelaide General Manager in April 2008. He has held several significant positions within the SKYCITY business including time as General Manager of both the SKYCITY Auckland and the SKYCITY Hamilton businesses. David has more than 20 years experience in hospitality, hotel and casino management including working in several Australian states and in Singapore. David was previously General Manager of the Wrest Point Hotel Casino and General Manager Operations of the Country Club Casino, both in Tasmania.

9. BRAD MORGAN

GENERAL MANAGER – DARWIN

Brad Morgan has recently joined the company and is directly responsible for the operations and performance of SKYCITY Darwin, as well as development plans for the property. Brad brings significant Australian club industry experience, having managed several of Queensland's largest and most successful clubs, including the Brisbane Broncos Leagues Club. In 2006, he transitioned into the casino industry as the Chief Operating Officer, Casino Division of the Lasseters Group, which

EXECUTIVE TEAM CONTINUED ON NEXT PAGE.

9. *Brad Morgan*

10. *Simon Jamieson*

11. *Mike Clarke*

is listed on the Singapore Stock Exchange. As Chief Operating Officer, Brad was the most senior executive of Lasseters in Australasia. Prior to joining the hospitality industry, Brad spent a decade in the finance industry with one of Australia's largest financial institutions.

10. SIMON JAMIESON

GENERAL MANAGER – NZ FACILITIES DEVELOPMENT

Simon Jamieson joined SKYCITY in September 2007 and was promoted to the role of General Manager SKYCITY Hotels Group Auckland in May 2008 and took on responsibility for Facilities Development for the New Zealand sites in February 2010. With more than 25 years experience in large-scale hospitality businesses, Simon brings a wealth of commercial and global tourism experience to the SKYCITY business. Having held several international general management and director roles, Simon has opened five luxury hotels in New Zealand and Asia, and is presently a director of the New Zealand Tourism Association and the Auckland Tourism Boards. Simon is currently progressing works in Auckland for the Federal Street redevelopment and our VIP gaming development.

11. MIKE CLARKE

CHIEF INFORMATION OFFICER

Having commenced with SKYCITY as a Consultant in March 2008, Mike was appointed to the role of Chief Information Officer for SKYCITY in July 2008. Mike has wide experience in IT Management having previously held roles such as Regional Director with Lotus IBM Asia Pacific based in Singapore, and Managing Director for 3Com in Australia and New Zealand before moving into a consulting career. Mike is responsible for the planning, implementation and management of SKYCITY Information Technology Systems and is focussed on delivering systems to improve business effectiveness and customer experience. ■

CITY PEOPLE

THIS YEAR
we met the demands not just of a very busy business, but also of preparing for an extraordinary global event, with timely and efficient recruitment.

We found new ways to engage our own people in our core entertainment ethos.

And we negotiated responsible salary increases in a manner that was authentic and honest.

↑ **300**
CASUAL EMPLOYEES FOR THE WORLD CUP

↑ **3%**
INCREASES EACH YEAR OF THE CONTRACT

↑ **2011**
IT'S GAME TIME!

SKYCITY is a diversified employer – we train and employ people in a dizzying array of roles across the Group. One of our challenges is to fully harness the potential of that extraordinary collective skill in ways that make our businesses as productive as possible and that stimulate people to give of their best because they genuinely feel that they are in the right roles, in the right places, and in arrangements that meet their needs as well as ours.

The way we recruit is unrecognisable from just a few years ago. Today, our careers website is our single most important channel and the source of the majority of our recruits. We use it to profile SKYCITY as an employer, e.g., with videos like 'All in a Day's Work' showcasing the complexity of operations and resultant variety of career opportunities. We also use social media (such as Facebook and LinkedIn) extensively to build our talent pool. These modes of communication are global, fast, flexible and always available. They allow us to talk to the people we want to reach through cost-effective channels that they are naturally drawn to and they have dramatically reduced our recruitment costs and increased our speed to hire.

This year, we have needed an additional approximately 300 casual staff for the Rugby World Cup. To help us find the right people with an interest in this sort of seasonal work, we again used online sourcing channels – including the launch of our "It's Game Time, 2011's Ultimate Working Holiday" microsite. The response has been amazing.

One of the real challenges for new staff members entering our industry is the amount of information they need to assimilate. Whilst much of it is about 'learning the ropes', for many of our customer-facing roles, our people require specific training on host responsibility in gaming, responsible service of alcohol and health and safety.

Traditionally this training has been provided in a classroom situation – a method which brings obvious challenges around scheduling and productivity in a shift environment (with associated cost impacts). To address these challenges, we this year launched e-learning at SKYCITY, enabling prospective staff to complete training online. This approach is win-win. It allows our new recruits to pace how they learn. It also delivers us savings in classroom time, drives compliance and makes it much easier to fit training around shifts and customer-facing responsibilities.

To attract and retain the best staff SKYCITY needs to provide market competitive levels of remuneration. This year, we successfully concluded bargaining with non-union and union staff for our Auckland site. The resultant agreements (which last through to March 2013) allow for two annual 3% increases during the term of the agreement.

Ours is a business of continual investment. We have invested in our assets to ensure we remain competitive. And we have continued to invest in people to refresh our ranks and our skills base, and to ensure that, at every touchpoint, every customer receives an experience with us that strengthens their loyalty and motivates them to return.

CITY COMMUNITIES

SKYCITY feels a strong sense of responsibility to the communities in which we do business. We have reached out to people in a range of ways – from supporting their favourite teams to raising money for the people of Christchurch – to thank them for their patronage and to give back to communities for their continuing support.

SPONSORSHIPS

Great teams, great games
We continued our sponsorship of the Warriors and of the Auckland Blues. With the opening of 'The Nation's Clubrooms', our new sports bar and new sponsorship of the SKYCITY Breakers, we have truly become the home of sport in Auckland.

LOOKING AFTER... PEOPLE

Firefighter Sky Tower Challenge

COMMUNITY TRUSTS

Helping as many as possible
Again this year, we have looked to benefit as many people as possible through our grants rather than focussing on a single cause. This year, we distributed $3.13 million to 403 community organisations. In Auckland, we shared $2.5 million across 237 organisations. In Hamilton, we shared $518,980 across 122 organisations. In Queenstown, 44 organisations shared $95,378.

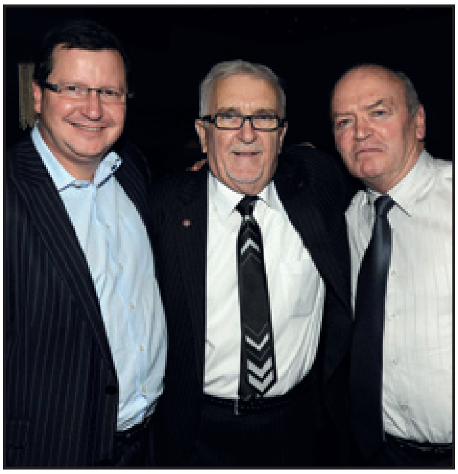
For example:

In Auckland
We provided a grant of $58,000 to the South Auckland Health Foundation's Snug Homes Manukau Initiative. This allowed 50 homes of low income families in the Manukau area – families with children under 14 or people over the age of 65 – to be fitted with insulation. Many of these families had had family members admitted to Hospital. This initiative not only made their homes healthier and warmer, it also provided paid work experience for the unemployed young people who installed the insulation.

$ 750,000

TOWARDS CHRISTCHURCH EARTHQUAKE APPEALS

Home of the Warriors



Mad Butcher's mid-winter celebration

Rise Up for Christchurch Telethon

WONS provides health promotion, education and free mobile women's health screening services to low-income women and their families. Our grant of $50,000 enabled the organisation to purchase and fit out a van as a second mobile clinic from which to run women's health checks and cervical screening.

We made a grant of $42,000 to the Monte Cecilia Housing Trust to support salary and administration costs for the Western Park Village Housing Hub. This project aims to improve conditions at the Western Park Village caravan park and to provide residents with support services that help them resolve their problems and transit into more appropriate accommodation.

We helped Youthline by providing a $50,000 grant to contribute towards the development of The Manukau Youth and Development Community Centre. This Centre provides counselling, information and referral support for young people in the area.

In Hamilton

The SKYCITY Hamilton Community Trust donated $25,000 to Habitat for Humanity to buy the materials needed to construct simple and affordable homes in the Waikato.

The Trust also provided a $20,000 grant to Te Awa: River Ride Charitable Trust to assist with the construction costs of the 70-kilometre Ngaruawahia to Hamilton section of the Great New Zealand River Ride along the shoreline of the Waikato River. The cycleway is expected to attract more than 52,000 visitors every year.

In Queenstown

We provided a grant of $3,000 to the Arrowtown Scout Group to purchase tents, camping equipment and a trailer. We also provided a grant for members of the Arrowtown Volunteer Fire Brigade to complete a Pre-Hospital Emergency Care course with St John.

We helped Disabilities Resource Centre Queenstown Charitable Trust with a grant to assist with the production of an Accessible Queenstown map that showed where facilities accessible to disabled people were located in the town.

HELPING CHRISTCHURCH'S COMMUNITIES

On Monday 4 October 2010, SKYCITY, with the support of key partner companies such as Lion Nathan and Air New Zealand, brought business and community leaders along with celebrities from around New Zealand together to raise money for the people of Canterbury. The event, which was hosted by the Prime Minister, raised $1,000,000 which has been channelled through the Red Cross.

Then, on Sunday 22 May 2011, we supported the Auckland telecast for the Rise Up for Christchurch Telethon. The fundraising dinner was held in the SKYCITY Auckland Convention Centre. The telecast from SKYCITY was hosted by Pippa Wetzell and Shane Cortese and featured performances by Annabel Faye, Julia Deans, Anika Moa and Annie Crummer. Cheques totalling almost $450,000 were presented to Prime Minister John Key – part of the more than $2,500,000 raised by the Telethon.

$ 2.5M IN 2010

TO 237 AUCKLAND COMMUNITY ORGANISATIONS

$ 518,980

TO 122 HAMILTON COMMUNITY ORGANISATIONS

$ 95,378

TO 44 QUEENSTOWN COMMUNITY ORGANISATIONS

REGISTERED OFFICE

SKYCITY Entertainment Group Limited
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86 Federal Street
PO Box 6443
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New Zealand

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Facsimile:
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Email: sceginfo@skycity.co.nz
www.skycityentertainmentgroup.com

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c/o **Finlaysons**
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+61 8 8232 2944

SOLICITORS

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48 Shortland Street
PO Box 8
Auckland

Minter Ellison Rudd Watts
Lumley Centre
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PO Box 3798
Auckland

Bell Gully
Vero Centre
48 Shortland Street
PO Box 4199
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BANKERS

ANZ National Bank

Commonwealth Bank of Australia

Bank of New Zealand

Westpac Banking Corporation

CAPITAL NOTES TRUSTEE

The New Zealand Guardian Trust Company Limited
Vero Centre
48 Shortland Street
PO Box 1934
Auckland

Telephone:
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Facsimile:
+64 9 377 7470

RECEIVING SHAREHOLDER COMMUNICATIONS

Dear Shareholder

As a SKYCITY Entertainment Group Limited shareholder you receive a number of communications from us. **Enclosed** is the 2011 Shareholder Review, which provides summary information about the company's business activities and performance (including summary financial information) for the year ended 30 June 2011.

SKYCITY also prepares annual and half year reports that contain the company's full financial statements, governance information and other statutory disclosures. The 2011 Annual Report for the year ended 30 June 2011 is now available on our website and the Half Year Report for the six months ending 31 December 2011 will be available on the website in March 2012. You can view and download these reports from the Investor Centre section of the company's website at www.skycityentertainmentgroup.com.

Notwithstanding that these reports are available electronically, you have the right to receive upon request, free of charge, printed copies of the 2011 Annual Report and (when available) Half Year Report.

If you have previously elected to receive printed copies of the Annual Report and Half Year Report, you do not need to request printed copies of the 2011 Annual Report and (when available) Half Year Report. Otherwise to receive printed copies of the 2011 Annual Report and (when available) Half Year Report, please tick the box below, fold this letter where indicated and return it by mail or fax to +64 (9) 488 8787 within 15 working days of receiving this notice. We recommend that, unless you require the extensive detail included in the financial statements, you consider not electing to receive printed copies of the 2011 Annual Report and Half Year Report.

☐ **I wish to receive a printed copy of the company's 2011 Annual Report and (when available) Half Year Report.**

Please note that your request will be treated as a request to send you printed copies of the Annual Report and Half Year Report each year until your request is revoked by notice in writing. Please also note the board of the company has not prepared a concise annual report for the year ended 30 June 2011.

SUBSTANTIAL SECURITY HOLDERS

It is a requirement of the Securities Markets Act 1988 that the following information be provided in printed form. As you may decide not to receive a printed copy of the 2011 Annual Report, the required information as at 15 August 2011 is set out below:

Substantial Security Holder	Number of Listed Voting Securities
AMP Capital Investors (New Zealand) Limited	32,104,033

The total number of listed voting securities of SKYCITY Entertainment Group Limited as at 15 August 2011 was 576,958,340.

PLEASE FOLD WHERE INDICATED, WITH MAILING ADDRESS FACING OUT, SEAL WITH TAPE AND POST AT ANY NEW ZEALAND POSTBOX (NO STAMP REQUIRED WITHIN NEW ZEALAND) OR FAX TO +64 9 488 8787.

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SKYCITY
ENTERTAINMENT GROUP

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

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SKYCITY Entertainment Group Limited
Federal House 86 Federal Street
PO Box 6443 Wellesley Street
Auckland New Zealand
Telephone +64 9 363 6141
Facsimile +64 9 363 6140
www.skycityentertainment.com

Dear Shareholder

Please find **enclosed** the following documents:

(a) the SKYCITY 2011 Shareholder Review, which provides a summary of SKYCITY Entertainment Group Limited's business activities during the financial year ended 30 June 2011; and

(b) an election notice (titled "Receiving Shareholder Communications") relating to the company's 2011 Annual Report (for the financial year ended 30 June 2011) and Half Year Report (for the financial half year ending 31 December 2011).

SKYCITY has also prepared a 2011 Annual Report that contains the company's full financial statements, governance information and other required disclosures. The 2011 Annual Report may be viewed at, or downloaded from, the Investor Centre section of the company's website at www.skycityentertainmentgroup.com.

We believe that the information most shareholders are looking for is contained in the 2011 Shareholder Review. Notwithstanding, if you wish to also receive printed copies of the 2011 Annual Report and, when available, Half Year Report, then you should (if applicable) complete and return the election notice to the company.

SKYCITY is holding its annual meeting at 9.30am (New Zealand time) on Friday 11 November 2011. You will be forwarded a Notice of Annual Meeting in due course.

Yours faithfully

Peter Treacy
Company Secretary

SKYCITY
ENTERTAINMENT GROUP

SKYCITY Entertainment Group Limited
Federal House 86 Federal Street
PO Box 6443 Wellesley Street
Auckland New Zealand
Telephone +64 9 363 6141
Facsimile +64 9 363 6140
www.skycityentertainment.com

Dear Noteholder

As a SKYCITY Entertainment Group Limited noteholder you are entitled to receive a number of communications from us. Accordingly, please find **enclosed** the SKYCITY 2011 Shareholder Review, which provides a summary of the company's business activities during the financial year ended 30 June 2011.

SKYCITY has also prepared a 2011 Annual Report that contains the company's full financial statements, governance information and other required disclosures. The 2011 Annual Report may be viewed at, or downloaded from, the Investor Centre section of the company's website at www.skycityentertainmentgroup.com.

We believe that the information most shareholders and noteholders are looking for is contained in the 2011 Shareholder Review. Notwithstanding, if you wish to also receive printed copies of the 2011 Annual Report and (when available for the financial half year ending 31 December 2011) Half Year Report, please tick the box below and return this letter to Computershare Investor Services Limited within 15 working days of receiving this letter:

(a) by mail to Private Bag 92119, Auckland 1142; or

(b) by fax to +64 (9) 488 8787.

☐ **I wish to receive a printed copy of the company's 2011 Annual Report and (when available) Half Year Report.**

SKYCITY is holding its annual meeting at 9.30am (New Zealand time) on Friday 11 November 2011. You are welcome to attend the meeting (but unless you are a shareholder you will not be able to vote) or view the broadcast meeting. You can view the broadcast at www.skycityentertainmentgroup.com from 9.30am (New Zealand time) on Friday 11 November 2011.

Yours faithfully

Peter Treacy
Company Secretary

SKYCITY ENTERTAINMENT GROUP LIMITED

THE AR

ANNUAL REPORT YEAR ENDED 30 JUNE 2011

SKYCITY

CONTENTS

ANNUAL MEETING

The 2011 annual meeting of SKYCITY Entertainment Group Limited will be held in the New Zealand Room, SKYCITY Auckland Convention Centre, 88 Federal Street, Auckland, on Friday 11 November 2011, commencing at 9.30am.

The notice of meeting, including agenda, will be mailed to shareholders on or before 21 October 2011.

This report is dated 28 September 2011 and is signed on behalf of the board of directors of SKYCITY Entertainment Group Limited by:

Rod McGeoch	Chris Moller
Chairman	Director

For further information on the business operations and performance of SKYCITY Entertainment Group during the year ended 30 June 2011, please refer to the SKYCITY Shareholder Review which has been sent to shareholders and is available in the Investor Centre section of the company's website at www.skycityentertainmentgroup.com.

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FINANCIAL STATEMENTS AND NOTES

FOR THE YEAR ENDED 30 JUNE 2011

INDEPENDENT AUDITORS' REPORT

to the shareholders of SKYCITY Entertainment Group Limited

Report on the Financial Statements

We have audited the financial statements of SKYCITY Entertainment Group Limited on pages 4 to 48, which comprise the balance sheets as at 30 June 2011, the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 30 June 2011 or from time to time during the financial year.

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

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

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

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

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

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INDEPENDENT AUDITORS' REPORT

CONTINUED

Opinion

In our opinion, the financial statements on pages 4 to 48:

(i) comply with generally accepted accounting practice in New Zealand;

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of the Company and the Group as at 30 June 2011, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2011:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Distribution or Use

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

PricewaterhouseCoopers

Chartered Accountants — Auckland

17 August 2011

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2011	NOTES	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000	PARENT 2011 $'000	PARENT 2010 $'000
Total receipts including GST	3	**902,381**	856,909	**-**	-
Less non-gaming GST	3	**(22,562)**	(19,521)	**-**	-
Gaming win plus non-gaming revenue	3	**879,819**	837,388	**-**	-
Less gaming GST	3	**(76,674)**	(67,451)	**-**	-
Revenue	3	**803,145**	769,937	**-**	-
Revenue	3	**803,145**	769,937	**-**	-
Other income	4	**1,261**	920	**100,133**	100,224
Shares of net profits of associates		**5,976**	5,868	**-**	-
Employee benefits expense		**(260,676)**	(251,655)	**(18,458)**	(17,414)
Other expenses	5	**(92,623)**	(85,245)	**(6,391)**	(6,303)
Direct consumables		**(52,607)**	(47,451)	**-**	-
Gaming taxes and levies		**(61,275)**	(59,045)	**-**	-
Marketing and communications		**(44,886)**	(42,163)	**(1,197)**	(2,055)
Directors' fees		**(741)**	(744)	**(741)**	(744)
Depreciation and amortisation expense	5	**(69,710)**	(67,507)	**(5,958)**	(5,727)
Restructuring costs	5	**(3,298)**	(2,019)	**-**	-
Finance costs – net	6	**(43,772)**	(47,388)	**(3,908)**	(9,238)
Impairment of Christchurch Casino	15	**(15,000)**	-	**-**	-
Profit before income tax		**165,794**	173,508	**63,480**	58,743
Tax expense pre Government Budget changes	7	**(48,226)**	(45,431)	**-**	-
Profit before discontinued operations and tax expense relating to Government Budget changes		**117,568**	128,077	**63,480**	58,743
Profit from discontinued operations – Cinemas	24	**-**	13,491	**-**	-
Profit for the year before tax expense relating to Government Budget changes		**117,568**	141,568	**63,480**	58,743
Tax expense relating to Government Budget changes	7	**5,435**	(39,700)	**-**	-
Profit for the year		**123,003**	101,868	**63,480**	58,743
Income tax expense	7	***(42,791)***	*(85,131)*	**-**	-
Attributable to:					
Profit attributable to shareholders of the company		**122,960**	102,025	**63,480**	58,743
Non-controlling interest	26	**43**	(157)	**-**	-
		123,003	101,868	**63,480**	58,743

	NOTES	CENTS	CENTS
Earnings per share for profit attributable to the shareholders of the company:			
Basic earnings per share	8	**21.4**	17.7
Diluted earnings per share	8	**20.9**	16.8
Attributable to continuing operations:			
Basic earnings per share	8	**21.4**	15.4
Diluted earnings per share	8	**20.9**	14.7
Attributable to discontinued operations:			
Basic earnings per share	8	**-**	2.3
Diluted earnings per share	8	**-**	2.1

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011	NOTES	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000	PARENT 2011 $'000	PARENT 2010 $'000
Profit for the year		**123,003**	101,868	63,480	58,743
Other comprehensive income					
Exchange differences on translation of overseas subsidiaries	25	**5,397**	(5,960)	-	-
Effect of hedging the net investment of overseas subsidiaries	25	**-**	(1,221)	-	-
Movement in cash flow hedges	25	**(13,733)**	8,577	(593)	-
Income tax relating to components of other comprehensive income	25	**4,133**	(2,198)	166	-
Other comprehensive income for the year		**(4,203)**	(802)	(427)	-
Total comprehensive income for the year, net of tax		**118,800**	101,066	63,053	58,743
Total comprehensive income for the year is attributable to:					
Shareholders of the company		**118,757**	101,223		
Non-controlling interest	26	**43**	(157)		
		118,800	101,066		

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

BALANCE SHEETS

AS AT 30 JUNE 2011	NOTES	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000	PARENT 2011 $'000	PARENT 2010 $'000
ASSETS					
Current assets					
Cash and bank balances	9	**104,577**	102,506	**1**	1
Receivables and prepayments	10	**30,901**	23,181	**87,376**	94,997
Inventories		**6,970**	7,162	**-**	-
Tax prepayment	11	**36,637**	18,255	**-**	-
Derivative financial instruments	12	**272**	-	**-**	-
Total current assets		**179,357**	151,104	**87,377**	94,998
Non-current assets					
Tax prepayment	11	**27,789**	25,141	**-**	-
Property, plant and equipment	13	**991,331**	953,179	**7,054**	7,262
Investment in subsidiaries	32	**-**	-	**618,775**	618,775
Intangible assets	14	**410,412**	397,226	**10,696**	13,053
Investments in associates	15	**73,782**	83,549	**-**	-
Derivative financial instruments	12	**-**	26,041	**-**	-
Total non-current assets		**1,503,314**	1,485,136	**636,525**	639,090
Total assets		**1,682,671**	1,636,240	**723,902**	734,088
LIABILITIES					
Current liabilities					
Payables	16	**110,852**	101,800	**250,997**	230,218
Interest bearing liabilities	17	**247,267**	-	**-**	-
Current tax liabilities	11	**5,349**	7,100	**-**	-
Derivative financial instruments	12	**10,102**	523	**113**	-
Subordinated debt – SKYCITY ACES	20	**-**	183,806	**-**	-
Total current liabilities		**373,570**	293,229	**251,110**	230,218
Non-current liabilities					
Interest bearing liabilities	18	**350,202**	417,126	**-**	-
Subordinated debt – capital notes	19	**56,400**	47,030	**56,400**	47,030
Deferred tax liabilities	21	**94,290**	95,347	**-**	-
Derivative financial instruments	12	**33,393**	23,991	**-**	-
Total non-current liabilities		**534,285**	583,494	**56,400**	47,030
Total liabilities		**907,855**	876,723	**307,510**	277,248
Net assets		**774,816**	759,517	**416,392**	456,840
EQUITY					
Share capital	23	**728,616**	732,910	**728,616**	732,910
Reserves	25(a)	**3,682**	7,885	**(427)**	-
Retained profits/(losses)	25(b)	**41,150**	17,397	**(311,797)**	(276,070)
Parent entity interest		**773,448**	758,192	**416,392**	456,840
Non-controlling interest	26	**1,368**	1,325	**-**	-
Total equity		**774,816**	759,517	**416,392**	456,840

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011	NOTES	SHARE CAPITAL $'000	HEDGING RESERVES $'000	OTHER RESERVES $'000	RETAINED LOSSES/ PROFITS $'000	MINORITY INTEREST $'000	TOTAL EQUITY $'000
CONSOLIDATED							
Balance as at 1 July 2009		733,085	(8,753)	17,789	(1,291)	1,482	742,312
Total comprehensive income/(expense)		-	6,013	(6,815)	102,025	(157)	101,066
Employee share entitlements issued	23	270	-	-	-	-	270
Dividends	27	-	-	-	(83,337)	-	(83,337)
Share rights issued for employee services	23	895	-	-	-	-	895
Movement in employee share entitlement reserve		-	-	(349)	-	-	(349)
Net purchase of treasury shares	23	(1,340)	-	-	-	-	(1,340)
Balance as at 30 June 2010		732,910	(2,740)	10,625	17,397	1,325	759,517
Balance as at 1 July 2010		732,910	(2,740)	10,625	17,397	1,325	759,517
Total comprehensive income/(expense)		-	(9,600)	5,397	122,960	43	118,800
Shares issued under dividend reinvestment plan	23	6,101	-	-	-	-	6,101
Dividends	27	-	-	-	(99,207)	-	(99,207)
Share rights issued for employee services	23	1,047	-	-	-	-	1,047
Net purchase of treasury shares	23	(11,442)	-	-	-	-	(11,442)
Balance as at 30 June 2011		**728,616**	**(12,340)**	**16,022**	**41,150**	**1,368**	**774,816**

FOR THE YEAR ENDED 30 JUNE 2011	NOTES	SHARE CAPITAL $'000	HEDGING RESERVES $'000	EMPLOYEE SHARE ENTITLEMENT RESERVE $'000	RETAINED LOSSES $'000	TOTAL EQUITY $'000
PARENT						
Balance as at 1 July 2009		733,085	-	349	(251,476)	481,958
Total comprehensive income		-	-	-	58,743	58,743
Share rights issued for employee services	23	895	-	-	-	895
Employee share entitlements issued	23	270	-	-	-	270
Dividends	27	-	-	-	(83,337)	(83,337)
Movement in employee share entitlement reserve		-	-	(349)	-	(349)
Movement in treasury shares	23	(1,340)	-	-	-	(1,340)
Balance as at 30 June 2010		732,910	-	-	(276,070)	456,840
Balance as at 1 July 2010		732,910	-	-	(276,070)	456,840
Total comprehensive income/(expense)		-	(427)	-	63,480	63,053
Shares issued under dividend reinvestment plan	23	6,101	-	-	-	6,101
Dividends	27	-	-	-	(99,207)	(99,207)
Share rights issued for employee services	23	1,047	-	-	-	1,047
Movement in treasury shares	23	(11,442)	-	-	-	(11,442)
		(4,294)	-	-	(99,207)	(103,501)
Balance as at 30 June 2011		**728,616**	**(427)**	**-**	**(311,797)**	**416,392**

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011	NOTES	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000	PARENT 2011 $'000	PARENT 2010 $'000
Cash flows from operating activities					
Receipts from customers		**795,231**	830,821	**-**	-
Payments to suppliers and employees		**(469,413)**	(494,280)	(26,204)	(26,080)
		325,818	336,541	**(26,204)**	(26,080)
Dividends received		**747**	3,347	**-**	-
Interest received		**192**	182	**-**	-
Gaming tax paid		**(54,896)**	(51,828)	**-**	-
Income taxes paid		**(62,496)**	(60,633)	**-**	-
Net cash inflow/(outflow) from operating activities	35	**209,365**	227,609	**(26,204)**	(26,080)
Cash flows from investing activities					
Purchase of/proceeds from property, plant and equipment		**(74,822)**	(55,074)	**-**	-
Payments for intangible assets		**(1,893)**	(1,157)	**-**	-
Loan repayment from Christchurch Hotels Limited		**194**	1,220	**-**	-
Proceeds from sale of Cinemas	24	**-**	66,600	**-**	-
Dividend from subsidiaries		-	-	**100,133**	100,224
Net cash (outflow)/inflow from investing activities		**(76,521)**	11,589	**100,133**	100,224
Cash flows from financing activities					
Cash flows associated with derivatives	12	**(20,884)**	(30,926)	**-**	-
Repayment of borrowings		**(362,359)**	(254,377)	**-**	(76,817)
New borrowings		**401,799**	-	**9,408**	-
Advances from subsidiaries	31	**-**	-	**25,547**	97,397
Net purchase of treasury shares	23	**(11,442)**	(1,340)	**(11,442)**	(1,340)
Distributions paid to company shareholders		**(93,106)**	(83,337)	**(93,106)**	(83,337)
Interest paid		**(44,781)**	(42,325)	**(4,336)**	(10,048)
Net cash (outflows) from financing activities		**(130,773)**	(412,305)	**(73,929)**	(74,145)
Net increase/(decrease) in cash and bank balances		**2,071**	(173,107)	**-**	(1)
Cash and bank balances at the beginning of the year		**102,506**	275,613	**1**	2
Cash and cash equivalents at end of year	9	**104,577**	102,506	**1**	1

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

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

These Financial Statements have been approved for issue by the board of directors on 17 August 2011.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These general purpose Financial Statements for the year ended 30 June 2011 have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable New Zealand Financial Reporting Standards.

(a) Basis of Preparation

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

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

Entities Reporting
The consolidated Financial Statements incorporate the assets and liabilities of all subsidiaries of the Group as at 30 June 2011 and the results of all subsidiaries and associates for the year then ended.

The Financial Statements of the 'Parent' are for the company as a separate legal entity.

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

The Group has negative net working capital, as a $247m tranche of the USPP debt is due within the next 12 months. The Group has a $400m committed 3 year and 5 year bank facility which can be utilised to repay the USPP – refer notes 18(b) and 28(c). Accordingly, the Group has the ability to fully pay all debts as they fall due through cash generated from operating activities and/or financing activities as necessary.

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

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

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

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

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

The Group tests annually whether goodwill and indefinite licences have suffered any impairment, in accordance with the accounting policy stated in note 2(i). The recoverable amounts of cash-generating units have been determined based on value in use calculations. These calculations require the use of estimates (refer note 14).

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

Following the Canterbury earthquakes the Group has tested its equity investment in Christchurch Casinos Limited. As a result an impairment has been recognised in the Income Statement. The impairment test was completed based on value in use calculations. This calculation required the use of estimates (refer note 15).

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses (refer note 21). Certain judgements are made in calculating these temporary differences.

(b) Principles of Consolidation

(i) Subsidiaries

Subsidiaries are all those entities (including special purpose entities) over which the company has the power to govern the financial and operating policies to obtain benefits generally accompanying a shareholding of more than one half of the voting rights.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are not consolidated from the date that control ceases.

The Group Financial Statements consolidate the Financial Statements of subsidiaries, using the acquisition method.

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

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

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

Subsidiaries are accounted for at cost less any impairment within the parent entity Financial Statements.

(ii) Transactions with Non-Controlling Interests

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

(iii) Associates

Associates are all entities over which the Group has significant influence but not control, generally evidenced by holdings of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity's Financial Statements using the cost method and in the consolidated Financial Statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post acquisition profits or losses is recognised in the Income Statement and its share of post acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Segment Reporting

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

(d) Foreign Currency Translation

(i) Functional and Presentation Currency

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

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

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

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

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

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

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

(e) Revenue Recognition

Revenue is recognised as summarised below.

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

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

(ii) Interest Income
Interest income is recognised on a time proportion basis using the effective interest method.

(iii) Dividend Income
Dividend income is recognised when the right to receive payment is established.

(iv) Loyalty Programme
A portion of revenue is allocated to the loyalty points scheme and is recognised when customers redeem their loyalty points.

(f) Income Tax

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

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

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

(g) Goods and Services Tax (GST)

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

(h) Leases

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

(ii) The Group is the Lessor
Assets leased to third parties under operating leases are included in property, plant and equipment in the Balance Sheet. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

(i) Impairment of Non-Current Assets

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

(j) Cash and Bank Balances

Cash and bank balances include cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

(k) Trade Receivables

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

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

(l) Inventories

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

(m) Investments and Other Financial Assets

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

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

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

(ii) Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in receivables in the Balance Sheet.

(n) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument and, if so, the nature of

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the item being hedged. The Group designates certain derivatives as either hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges) or hedges of exposures to variability in cash flows associated with recognised assets or liabilities or highly probable forecast transactions (cash flow hedges).

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

(i) Fair Value Hedge

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

(ii) Cash Flow Hedge

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

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

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

(iii) Derivatives that do not qualify for Hedge Accounting

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

(o) Property, Plant and Equipment

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

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

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

- Buildings 5–75 years
- Building fit-out 10 years
- Plant and equipment 2–75 years
- Vehicles 3 years
- Fixtures and fittings 3–20 years

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

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

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

(p) Intangible Assets

(i) Goodwill

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

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

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

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

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

(q) Payables

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

(r) Borrowings

Borrowings, including capital notes and the Group's Adjustable Coupon Exchangeable Securities (SKYCITY ACES – now redeemed), are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost unless part of an effective hedging relationship. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective interest method.

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

(s) Borrowing Costs

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

(t) Employee Benefits

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

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

(u) Share Capital

Ordinary shares are classified as equity.

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

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

(v) Dividends

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

(w) Earnings Per Share

(i) Basic Earnings Per Share
Basic earnings per share are 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 adjust the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(x) Statement of Cash Flows

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

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(y) Standards, amendments and interpretations to existing standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 July 2011 or later periods, but which the Group has not early adopted. The significant items are:

- **NZ IFRS 9, Financial Instruments** (effective from annual periods beginning on or after 1 January 2013). This standard is part of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. The standard applies to financial assets, their classification and measurement. All financial assets are required to be classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. Financial assets are initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs and subsequently measured at amortised cost or fair value. This standard is not expected to significantly impact the Group.
- **NZ IFRS 13, Fair value measurement** (effective from annual periods beginning on or after 1 January 2013). NZ IFRS 13 replaces the fair value measurement guidance contained in individual NZ IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other NZ IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. This standard is not expected to significantly impact the Group.

(z) New Accounting Standards Adopted in the Year

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

3 REVENUE

	CONSOLIDATED		PARENT	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Total receipts including GST	**902,381**	856,909	**-**	-
Less non-gaming GST	**(22,562)**	(19,521)	**-**	
Gaming win plus non-gaming revenue	**879,819**	837,388	**-**	-
Less gaming GST	**(76,674)**	(67,451)	**-**	-
Total revenue	**803,145**	769,937	**-**	-
Gaming	**628,051**	603,262	**-**	-
Non-gaming	**175,094**	166,675	**-**	-
Total revenue	**803,145**	769,937	**-**	-

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

Included within consolidated gaming revenue is revenue relating to loyalty action points of $10,486,000 (30 June 2010: $9,561,000).

Included within consolidated non-gaming revenue is revenue relating to loyalty action points of $306,000 (30 June 2010: $286,000).

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

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4 OTHER INCOME

	CONSOLIDATED		PARENT	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Net gain on disposal of property, plant and equipment	1,065	733	-	-
Interest income – Christchurch Hotels Limited	192	182	-	-
Dividend income	4	5	-	-
Dividends from wholly-owned entities	-	-	100,133	100,224
	1,261	920	100,133	100,224

5 EXPENSES

	CONSOLIDATED		PARENT	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Profit before income tax includes the following specific expenses:				
Depreciation				
Buildings	24,198	22,932	-	-
Plant and equipment	31,402	31,284	2,125	1,977
Fixtures and fittings	6,834	6,277	-	-
Motor vehicles	404	461	-	-
Total depreciation	62,838	60,954	2,125	1,977
Amortisation				
Casino licences (Adelaide)	2,736	2,621	-	-
Computer software	4,136	3,932	3,833	3,750
Total amortisation	6,872	6,553	3,833	3,750
Total depreciation and amortisation	69,710	67,507	5,958	5,727
Other expenses includes:				
Utilities, insurance and rates	19,616	19,212	106	93
Community Trust donations	3,185	2,839	-	-
Minimum lease payments relating to operating leases	4,408	4,269	-	-
Other property expenses	15,302	14,445	-	-
Other items (including International commissions)	50,031	44,107	6,285	6,210
Provision for bad and doubtful debts	81	373	-	-
	92,623	85,245	6,391	6,303
Restructuring costs				
Redundancy and other staff payments	2,471	2,019	-	-
Other restructuring costs	827	-	-	-
	3,298	2,019	-	-

NOTES TO THE FINANCIAL STATEMENTS

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5 EXPENSES (continued)

	CONSOLIDATED		PARENT	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Auditors' fees				
During the year the following fees were paid or are payable for services provided by the auditors of the parent entity, its related practices and non-related audit firms.				
(a) Assurance services				
Audit services				
PricewaterhouseCoopers				
Audit of Group Financial Statements	**400**	400	**400**	400
Audit of subsidiary Financial Statements	**94**	111	**-**	-
Half year review	**80**	80	**80**	80
Total remuneration for audit services	**574**	591	**480**	480
Other assurance services provided by PricewaterhouseCoopers				
Accounting advice and assistance	**75**	64	**75**	64
Systems assurance	**-**	25	**-**	-
Tax compliance services	**73**	93	**45**	40
Total remuneration for other assurance services	**148**	182	**120**	104
Total remuneration for assurance services	**722**	773	**600**	584
(b) Other services				
PricewaterhouseCoopers				
Taxation and other advisory services	**318**	411	**168**	195
Total remuneration for taxation services	**318**	411	**168**	195
Total fees paid or payable to auditors	**1,040**	1,184	**768**	779

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

6 FINANCE COSTS – NET

	CONSOLIDATED		PARENT	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Finance costs				
Interest and finance charges	**50,280**	56,455	**3,908**	9,238
Exchange gains	**(2,105)**	(2,653)	**-**	-
Interest income	**(2,783)**	(4,495)	**-**	-
Gain on funding reorganisation (note 18)	**(1,620)**	(1,919)	**-**	-
Total net finance costs	**43,772**	47,388	**3,908**	9,238

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7 INCOME TAX EXPENSE

	CONSOLIDATED		PARENT	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
(a) Income Tax Expense				
Current tax	**39,570**	39,236	**-**	-
Deferred tax	**3,221**	45,895	**-**	-
	42,791	85,131	**-**	-
Deferred tax (note 21)				
Origination and reversal of temporary differences	**8,656**	6,195	**-**	-
Change in New Zealand corporate tax rate and building depreciation	**(5,435)**	39,700	**-**	-
Total deferred tax	**3,221**	45,895	**-**	-
(b) Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable				
Profit from continuing operations before income tax expense	**165,794**	173,508	**63,480**	58,743
Tax at the New Zealand tax rate of 30% (2010: 30%)	**49,738**	52,052	**19,044**	19,385
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Inter-company eliminations	**-**	-	**10,909**	10,368
Items not subject to tax	**1,427**	525	**87**	314
Australian investment allowance	**-**	(337)	**-**	-
Share of net profit of associates	**(1,793)**	(1,760)	**-**	-
Impairment of Christchurch Casino	**4,500**	-	**-**	-
Foreign exchange rate differences	**1,591**	(109)	**-**	-
Exempt dividends received	**-**	-	**(30,040)**	(30,067)
Share of partnership expenditure	**(7,180)**	(5,175)	**-**	-
Write off tax losses	**(27)**	105	**-**	-
Under provision in prior years	**(30)**	130	**-**	-
Tax expense pre Government Budget changes	**48,226**	45,431	**-**	-
Change in New Zealand tax building depreciation	**(5,522)**	42,886	**-**	-
Change in New Zealand corporate tax rate	**87**	(3,186)	**-**	-
Tax expense relating to Government Budget changes	**(5,435)**	39,700	**-**	-
Income tax expense	**42,791**	85,131	**-**	-

The weighted average applicable tax rate was 25.8% (2010: 49.1%) (26.7% (2010: 26.2%) excluding the impact of future change in corporate tax rate, building tax depreciation changes and Christchurch Casinos impairment).

The New Zealand corporate tax rate will be reduced from 30% to 28% and tax depreciation for buildings with an estimated life of 50 or more years will be disallowed. Both of these changes are effective for the Group from 1 July 2011. The initial impact of these changes ($39,700,000) was included within the 2010 results. The $5,435,000 partial reversal in 2011 relates to adjustments to the prior year estimated impact.

NOTES TO THE FINANCIAL STATEMENTS

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8 EARNINGS PER SHARE

	CONSOLIDATED	
	2011 CENTS	2010 CENTS
Basic earnings per share		
Profit for the year before tax expense relating to Government Budget changes and Christchurch Casinos impairment	**23.0**	24.6
Profit from continuing operations attributable to the ordinary equity holders of the company	**21.4**	15.4
Profit from discontinued operations	**-**	2.3
Profit attributable to the ordinary equity holders of the company	**21.4**	17.7
Diluted earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the company	**20.9**	14.7
Profit from discontinued operations	**-**	2.1
Profit attributable to the ordinary equity holders of the company	**20.9**	16.8

(a) Reconciliations of Earnings used in calculating Earnings Per Share

Basic earnings per share		
Profit from continuing operations	**123,003**	88,377
(Loss)/profit attributable to minority interests	**(43)**	157
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**122,960**	88,534
Profit from discontinued operations	**-**	13,491
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**122,960**	102,025
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**122,960**	102,025
Interest savings on capital notes	**3,837**	-
Interest savings on SKYCITY ACES	**4,476**	8,033
Tax on the above	**(2,494)**	(2,410)
Profit from continuing operations attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**128,779**	107,648

(b) Weighted Average number of shares used as the denominator

Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**575,574,000**	575,114,687
Adjustments for calculation of diluted earnings per share:		
SKYCITY ACES	**25,622,391**	65,648,028
Capital notes	**14,501,611**	-
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**615,698,002**	640,762,715

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8 EARNINGS PER SHARE (continued)

(c) Information concerning the classification of Securities

(i) SKYCITY ACES

Notwithstanding the fact the SKYCITY ACES were redeemed in the current year, they are considered to be potential ordinary shares and are included in the determination of diluted earnings per share from their date of issue if they are dilutive. The SKYCITY ACES have not been included in the determination of basic earnings per share. The SKYCITY ACES are dilutive in both 2011 and 2010 and are therefore included in the determination of diluted earnings per share. Details relating to the SKYCITY ACES are set out in note 20.

(ii) Capital Notes

Capital notes are considered to be potential ordinary shares and are included in the determination of diluted earnings per share from their date of issue if they are dilutive. The capital notes have not been included in the determination of basic earnings per share. In 2010 the capital notes were not dilutive and were therefore excluded from the diluted earnings per share calculation. Details relating to the capital notes are set out in note 19.

9 CASH AND CASH EQUIVALENTS

	CONSOLIDATED		PARENT	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Cash at bank	**55,690**	64,314	**1**	1
Cash in house	**48,887**	38,192	**-**	-
	104,577	102,506	**1**	1

10 RECEIVABLES AND PREPAYMENTS

	CONSOLIDATED		PARENT	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Trade receivables	**9,286**	10,434	**-**	-
Advance to Christchurch Hotels Limited (note 31)	**6,235**	6,429	**-**	-
Sundry receivables	**11,244**	3,152	**112**	39
Prepayments	**4,136**	3,166	**2,041**	1,621
Amounts due from subsidiaries (note 31)	**-**	-	**85,223**	93,337
	30,901	23,181	**87,376**	94,997

There are no significant receivables past due date or impaired.

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11 NET TAX BALANCE

	CONSOLIDATED		PARENT	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Tax prepayment – current	**36,637**	18,255	**-**	-
Tax prepayment – non-current	**27,789**	25,141	**-**	-
Current tax liabilities	**(5,349)**	(7,100)	**-**	-
	59,077	36,296	**-**	-

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

12 DERIVATIVE FINANCIAL INSTRUMENTS

	FAIR VALUE		NOTIONAL PRINCIPAL	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
CONSOLIDATED				
Current assets				
Forward foreign currency contracts	**272**	-	**6,911**	-
Total current derivative financial instrument assets	**272**	-	**6,911**	-
Non-current assets				
Cross-currency interest rate swaps – cash flow hedges	**-**	18,651	**-**	135,028
Cross-currency interest rate swaps – fair value hedges	**-**	7,390	**-**	64,348
Total non-current derivative financial instrument assets	**-**	26,041	**-**	199,376
Current liabilities				
Cross-currency interest rate swap – cash flow hedges*	**4,981**	-	**83,227**	-
Forward foreign currency contracts	**113**	226	**5,785**	10,316
Cross-currency interest rate swaps – fair value hedges*	**1,998**	-	**19,492**	-
Interest rate swaps – cash flow hedges	**3,010**	70	**97,000**	92,103
Electricity CFD – cash flow hedges	**-**	227	**-**	-
Total current derivative financial instrument liabilities	**10,102**	523	**205,504**	102,419
Non-current liabilities				
Interest rate swaps – cash flow hedges	**14,514**	23,744	**399,184**	412,155
Cross-currency interest rate swaps – cash flow hedges*	**18,879**	-	**300,906**	-
Cross-currency interest rate swaps – fair value hedges	**-**	247	**-**	24,003
Total non-current derivative financial instrument liabilities	**33,393**	23,991	**700,090**	436,158

** These fair value amounts are net of collateral payments made of $11,283,153 (2010: nil). When the fair value of the cross-currency interest rate swaps exceeds certain levels, a payment is received from (if the CCIRS is an asset) or made to (if the CCIRS is a liability) the counter-party.*

During the year, $3,545,228 of gains (2010: $1,981,796 gains) on hedged items were offset in the Income Statement by $3,739,485 of losses (2010: $2,050,615 losses) on derivatives in fair value hedging relationships.

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

The parent has one forward exchange contract with a fair value of $113,000 (current liability) (2010: none).

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13 PROPERTY, PLANT AND EQUIPMENT

	LAND $'000	BUILDINGS AND FIT-OUT $'000	PLANT AND EQUIPMENT $'000	FIXTURES AND FITTINGS $'000	MOTOR VEHICLES $'000	CAPITAL WORK IN PROGRESS $'000	TOTAL $'000
CONSOLIDATED							
At 30 June 2009							
Cost	175,703	816,606	409,964	98,788	1,618	24,860	1,527,539
Accumulated depreciation	-	(158,701)	(275,022)	(63,791)	(1,260)	-	(498,774)
Net book value	175,703	657,905	134,942	34,997	358	24,860	1,028,765
Movements in the year ended 30 June 2010							
Opening net book value	175,703	657,905	134,942	34,997	358	24,860	1,028,765
Exchange differences	(158)	(1,680)	(330)	(64)	(3)	(123)	(2,358)
Net additions	4,441	13,000	41,909	4,683	1,090	(7,982)	57,141
Discontinued operations	-	(13,305)	(56,110)	-	-	-	(69,415)
Depreciation charge	-	(22,932)	(31,284)	(6,277)	(461)	-	(60,954)
Closing net book value	179,986	632,988	89,127	33,339	984	16,755	953,179
At 30 June 2010							
Cost	179,986	809,872	361,350	103,794	2,243	16,755	1,474,000
Accumulated depreciation	-	(176,884)	(272,223)	(70,455)	(1,259)	-	(520,821)
Net book value	179,986	632,988	89,127	33,339	984	16,755	953,179
Movements in the year ended 30 June 2011							
Opening net book value	**179,986**	**632,988**	**89,127**	**33,339**	**984**	**16,755**	**953,179**
Exchange differences	**959**	**8,185**	**1,893**	**317**	**28**	**652**	**12,034**
Net additions	**(992)**	**9,418**	**28,395**	**1,389**	**217**	**50,529**	**88,956**
Depreciation charge	**-**	**(24,198)**	**(31,402)**	**(6,834)**	**(404)**	**-**	**(62,838)**
Closing net book value	**179,953**	**626,393**	**88,013**	**28,211**	**825**	**67,936**	**991,331**
At 30 June 2011							
Cost	**179,953**	**826,639**	**390,080**	**102,810**	**2,520**	**67,936**	**1,569,938**
Accumulated depreciation	**-**	**(200,246)**	**(302,067)**	**(74,599)**	**(1,695)**	**-**	**(578,607)**
Net book value	**179,953**	**626,393**	**88,013**	**28,211**	**825**	**67,936**	**991,331**

NOTES TO THE FINANCIAL STATEMENTS

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13 PROPERTY, PLANT AND EQUIPMENT (continued)

	PLANT AND EQUIPMENT $'000	CAPITAL WORK IN PROGRESS $'000	TOTAL $'000
PARENT COMPANY			
At 30 June 2009			
Cost	21,061	4,404	25,465
Accumulated depreciation	(20,491)	-	(20,491)
Net book value	570	4,404	4,974
Movements in the year ended 30 June 2010			
Opening net book value	570	4,404	4,974
Net additions/transfers	6,014	(1,749)	4,265
Depreciation charge	(1,977)	-	(1,977)
Closing net book value	4,607	2,655	7,262
At 30 June 2010			
Cost	28,171	2,655	30,826
Accumulated depreciation	(23,564)	-	(23,564)
Net book value	4,607	2,655	7,262
Movements in the year ended 30 June 2011			
Opening net book value	**4,607**	**2,655**	**7,262**
Net additions/transfers	**3,839**	**(1,922)**	**1,917**
Depreciation charge	**(2,125)**	**-**	**(2,125)**
Closing net book value	**6,321**	**733**	**7,054**
At 30 June 2011			
Cost	**32,011**	**733**	**32,744**
Accumulated depreciation	**(25,690)**	**-**	**(25,690)**
Net book value	**6,321**	**733**	**7,054**

Borrowing costs of $346,722 have been capitalised in the current year relating to the Auckland capital projects and Darwin resort (2010: nil) using the Group's weighted average cost of debt.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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14 INTANGIBLE ASSETS

	GOODWILL $'000	CASINO LICENCES $'000	COMPUTER SOFTWARE $'000	TOTAL $'000
CONSOLIDATED				
At 30 June 2009				
Cost	153,174	264,075	57,008	474,257
Accumulated amortisation	-	(27,180)	(40,803)	(67,983)
Net book amount	153,174	236,895	16,205	406,274
Movements in the year ended 30 June 2010				
Opening net book amount	153,174	236,895	16,205	406,274
Exchange differences	(1,225)	(2,424)	(3)	(3,652)
Additions	-	-	1,441	1,441
Discontinued operations	-	-	(284)	(284)
Amortisation charge	-	(2,621)	(3,932)	(6,553)
Closing net book amount	151,949	231,850	13,427	397,226
At 30 June 2010				
Cost	151,949	261,318	58,153	471,420
Accumulated amortisation	-	(29,468)	(44,726)	(74,194)
Net book amount	151,949	231,850	13,427	397,226
Movements in the year ended 30 June 2011				
Opening net book amount	**151,949**	**231,850**	**13,427**	**397,226**
Exchange differences	**6,048**	**12,101**	**16**	**18,165**
Additions	**-**	**-**	**1,893**	**1,893**
Amortisation charge	**-**	**(2,736)**	**(4,136)**	**(6,872)**
Closing net book amount	**157,997**	**241,215**	**11,200**	**410,412**
At 30 June 2011				
Cost	**157,997**	**274,924**	**60,234**	**493,155**
Accumulated amortisation	**-**	**(33,709)**	**(49,034)**	**(82,743)**
Net book amount	**157,997**	**241,215**	**11,200**	**410,412**

Casino Licence	**Contract Term**
Darwin	The casino and associated operations are carried out by SKYCITY Darwin under a casino licence/operator agreement (the Casino Operator's Agreement) with the Northern Territory Government. The current licence term was set in 2006 for a 20 year period until 2026. The COA is subject to extension for a further 5 years once its period to maturity reaches 15 years. These licence extensions apply on a continuing five year basis so that, subject to certain criteria being met, the licence period is never less than 15 years.
Adelaide	The casino and associated operations are carried out by SKYCITY Adelaide under a casino licence (the Approved Licensing Agreement) dated October 1999 (as amended). Unless terminated earlier, the expiry date of the ALA is June 2085. The term of the ALA can be renewed for a further fixed term pursuant to section 9 of the Casino Act 1997 (SA). The carrying value of the Adelaide licence is amortised over the life of the agreement.
Auckland	SKYCITY Auckland Limited holds a Casino Premises Licence for the Auckland premises. The Casino Premises Licence is for an initial 25 year term from 2 February 1996. The licence can be renewed for further periods of 15 years pursuant to s138 of the Gaming Act 2003 (NZ). As the licence was initially granted to the company for nil consideration there is no associated carrying value.
Hamilton	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 s138 of the Gaming Act 2003 (NZ). As the licence was initially granted to the company for nil consideration there is no associated carrying value.

NOTES TO THE FINANCIAL STATEMENTS

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14 INTANGIBLE ASSETS (continued)

	COMPUTER SOFTWARE $'000	TOTAL $'000
PARENT COMPANY		
At 30 June 2009		
Cost	49,620	49,620
Accumulated amortisation	(34,010)	(34,010)
Net book amount	15,610	15,610
Movements in the year ended 30 June 2010		
Opening net book amount	15,610	15,610
Additions	1,193	1,193
Amortisation charge	(3,750)	(3,750)
Closing net book amount	13,053	13,053
At 30 June 2010		
Cost	50,813	50,813
Accumulated amortisation	(37,760)	(37,760)
Net book amount	13,053	13,053
Movements in the year ended 30 June 2011		
Opening net book amount	13,053	13,053
Additions	1,476	1,476
Amortisation charge	(3,833)	(3,833)
Closing net book amount	10,696	10,696
At 30 June 2011		
Cost	**52,289**	**52,289**
Accumulated amortisation	**(41,593)**	**(41,593)**
Net book amount	**10,696**	**10,696**

(a) Impairment Tests for Intangibles with Indefinite Lives

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

	SKYCITY HAMILTON* $'000	SKYCITY DARWIN $'000	TOTAL $'000
2011			
Goodwill	**35,786**	**122,211**	**157,997**
Casino Licence	-	**40,997**	**40,997**
	35,786	**163,208**	**198,994**
2010			
Goodwill	35,786	116,163	151,949
Casino Licence	-	38,968	38,968
	35,786	155,131	190,917

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

** SKYCITY Hamilton is included within the "Rest of New Zealand" segment in note 29.*

NOTES TO THE FINANCIAL STATEMENTS

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14 INTANGIBLE ASSETS (continued)

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

	EBITDA MARGIN		GROWTH RATE		DISCOUNT RATE	
	2011 %	2010 %	2011 %	2010 %	2011 %	2010 %
SKYCITY Hamilton	**42.6**	43.1	**2.0**	2.0	**10.0**	10.0
SKYCITY Darwin	**30.5**	31.5	**3.0**	2.0	**10.0**	10.0

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

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

15 INVESTMENTS IN ASSOCIATES

(a) Carrying Amounts

Information relating to associates is set out below.

		OWNERSHIP INTEREST		CONSOLIDATED		PARENT	
	PRINCIPAL ACTIVITIES	2011 %	2010 %	2011 %	2010 %	2011 %	2010 %
Christchurch Casinos Limited Group	Casino operator	**50.0**	45.7	**73,782**	83,549	**-**	-

Christchurch Casinos Limited Group (CCL) is incorporated in New Zealand and has a 31 March balance date. Included within CCL's carrying value is goodwill of approximately $38 million (2010: $53 million).

Following the Canterbury earthquakes a value in use impairment test has been completed on the Group's investment in Christchurch Casinos resulting in a $15 million impairment. The underlying assumptions used included an initial drop in earnings, returning to 2010 levels by 2014, a discount rate of 10% (post tax) and a terminal growth rate of 2.5%.

Increasing or decreasing the underlying assumed growth rate by 5% would result in $4.7 million reduction or increase in the impairment charge.

(b) Movements in carrying amounts

	CONSOLIDATED	
	2011 $'000	2010 $'000
Balance at the beginning of the year	**83,549**	84,637
Share of profits after income tax	**5,976**	5,868
Dividends received/receivable	**(743)**	(3,342)
Impairment	**(15,000)**	-
Disposal (note 24)	**-**	(3,614)
Balance at 30 June	**73,782**	83,549

NOTES TO THE FINANCIAL STATEMENTS

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15 INVESTMENTS IN ASSOCIATES (continued)

(c) Impairment losses recognised in profit or loss

	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000
Impairment losses in associates accounted for using the equity method in the income statement	**15,000**	-

(d) Summarised financial information of associates

GROUP'S SHARE OF:	ASSETS $'000	LIABILITIES $'000	REVENUES $'000	PROFIT $'000
2011				
Christchurch Casinos Limited Group	14,852	1,691	14,867	3,269
	14,852	1,691	14,867	3,269
2010				
Christchurch Casinos Limited Group	18,277	2,071	19,066	3,969
	18,277	2,071	19,066	3,969

The above are based on SKYCITY's direct equity interest in Christchurch Casinos Limited of 33.3% (2010: 30.7%).

16 PAYABLES

	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000	PARENT 2011 $'000	PARENT 2010 $'000
Trade payables	**31,044**	13,901	**-**	-
Deferred income	**3,097**	2,757	**-**	-
Accrued expenses	**42,625**	52,579	**5,480**	5,361
Employee benefits	**34,086**	32,563	**-**	-
Amounts due to subsidiaries (note 32)	**-**	-	**245,517**	224,857
	110,852	101,800	**250,997**	230,218

NOTES TO THE FINANCIAL STATEMENTS

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17 CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

	CONSOLIDATED		PARENT	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Unsecured				
United States Private Placement (USPP)	247,267	-	-	-
Total unsecured current interest bearing borrowings	247,267	-	-	-

(a) Fair value disclosures

Details of the fair value of interest bearing liabilities for the Group are set out in note 18.

18 NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

Refer to (note 17) for details of current portions of these liabilities.

	CONSOLIDATED		PARENT	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Unsecured				
United States Private Placement (USPP)	350,202	418,313	-	-
Syndicated bank facility	-	-	-	-
Deferred funding expenses	-	(1,187)	-	-
Total unsecured non-current interest bearing borrowings	350,202	417,126	-	-

In 2011 a gain of $1,620,000 resulted from a reorganisation of funding structures and refinancing of SKYCITY ACES with USPP.

In 2010, the Group repurchased USD115,500,000 of USPP debt resulting in a gain of $1,919,000 (note 6).

(a) United States Private Placement (USPP)

On 15 March 2005 SKYCITY borrowed NZ$96,571,000, A$74,900,000 and US$274,500,000 with maturities between 2012 and 2020 from private investors (primarily US based) on an unsecured basis.

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

The offsetting value of the cross currency interest rate swap as at 30 June 2011 is included within derivative financial instruments in note 12.

In March 2011, additional US$175,000,000 of USPP debt was raised, US$100,000,000 with 10 year maturity and US$75,000,000 with 7 years.

March 2012 maturities of USPP (US$85,000,000, A$74,900,000, NZ$47,275,000) have been recognised as current liabilities.

Other movements in the USPP from 30 June 2010 relate to foreign exchange and interest rate movements.

(b) Committed Syndicated Bank Facility

At 30 June 2011, SKYCITY had in place a committed $400,000,000 (2010: $500,000,000) facility on an unsecured, negative pledge basis in two tranches of $200,000,000 each maturing April 2014 and June 2016. The funding syndicate is comprised of ANZ National Bank Limited, Bank of New Zealand Limited, Commonwealth Bank of Australia, New Zealand Branch and Westpac Banking Corporation.
As at 30 June 2011, the amount drawn on this facility was $nil (2010: nil).

(c) Fair values

The fair value of the USPP is approximately $63 million (2010: $31 million) more than the carrying value. Fair value has been determined on a discounted cash flow basis using current market interest rates.

NOTES TO THE FINANCIAL STATEMENTS

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19 SUBORDINATED DEBT – CAPITAL NOTES

	CONSOLIDATED		PARENT	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Balance at the beginning of the year	**47,043**	125,263	**47,043**	123,860
Issued/(matured) during the year	**9,408**	(76,817)	**9,408**	(76,817)
Partial revaluation	-	(1,403)	-	-
Balance at the end of the year	**56,451**	47,043	**56,451**	47,043
Deferred expense	**(51)**	(13)	**(51)**	(13)
Net capital notes at the end of the year	**56,400**	47,030	**56,400**	47,030

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

In October 2010, 9,408,000 of capital notes were sold from treasury stock.

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

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

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

As at 30 June 2011, there were 150,000,000 (2010: 150,000,000) capital notes on issue, of which 93,549,500 (2010: 102,957,000) are held as treasury stock by the company.

The capital notes are listed on the NZX. As at 30 June 2011 the closing price was $1.0182 per $1 note (2010: $1.0078). The capital notes are carried at amortised cost.

20 SUBORDINATED DEBT – SKYCITY ACES

	CONSOLIDATED		PARENT	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
SKYCITY ACES	-	184,207	-	-
Deferred expenses	-	(401)	-	-
	-	183,806	-	-

Effective 15 December 2010 the SKYCITY ACES were fully redeemed.

NOTES TO THE FINANCIAL STATEMENTS

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21 DEFERRED TAX LIABILITIES

	CONSOLIDATED		PARENT	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
The balance comprises temporary differences attributable to:				
Prepayments and receivables	47	364	-	-
Provision and accruals	(9,799)	(11,970)	-	-
Depreciation	96,231	100,000	-	-
Foreign exchange differences	14,378	9,406	-	-
Tax losses	(2,263)	(2,299)	-	-
Other	613	76	-	-
Cash flow hedges	(4,917)	(230)	-	-
Net deferred tax liabilities	94,290	95,347	-	-
Movements:				
Balance at the beginning of the year	95,347	48,360	-	-
Charged to the Income Statement (note 7)	8,656	6,195	-	-
Charged to the Income Statement via discontinued operations	-	679	-	-
Debited to equity reserves	(4,185)	438	-	-
Change in New Zealand corporate tax rate and building depreciation (note 7)	(5,435)	39,700	-	-
Foreign exchange differences	(93)	(25)	-	-
Closing balance at 30 June	94,290	95,347	-	-
Within 12 months	(8,979)	3,313	-	-
In excess of 12 months	103,269	92,034	-	-
	94,290	95,347	-	-

The Group has not recognised deferred tax assets of $1.6 million (2010: $1.7 million) in respect of losses that can be carried forward against future taxable income.

NOTES TO THE FINANCIAL STATEMENTS

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22 IMPUTATION CREDITS (New Zealand)

	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000
Balance at the beginning of the year	**(6,260)**	(12,131)
Tax payments, net of refunds	**32,327**	32,907
Credits attached to dividends paid	**(33,797)**	(27,686)
Credits attached to dividends received	**22**	650
Balance at end of year	**(7,708)**	(6,260)
Imputation credits available directly and indirectly to shareholders of the parent company, through:		
Parent company	**(7,708)**	(7,183)
Subsidiaries	**-**	923
Balance at end of year	**(7,708)**	(6,260)

As required by relevant tax legislation, the imputation credit account had a credit balance as at 31 March 2011.

23 SHARE CAPITAL

	2011 SHARES	2010 SHARES	2011 $'000	2010 $'000
Opening balance of ordinary shares issued	**575,114,687**	575,114,687	**732,910**	733,085
Share rights issued for employee services	**-**	-	**1,047**	895
CEO commencement Convertible Rights	**-**	200,000	**-**	-
Employee share entitlements issued	**275,034**	68,502	**-**	270
Treasury shares issued	**(275,034)**	(268,502)	**-**	-
Net purchase of treasury shares	**-**	-	**(11,442)**	(1,340)
Shares issued under dividend reinvestment plan	**1,843,653**	-	**6,101**	-
	576,958,340	575,114,687	**728,616**	732,910

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

Included within the number of shares is treasury shares 4,351,766 (2010: 1,046,800) 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 new executive long term incentive plan (refer note 30). Treasury shares may be used to issue shares under the company's employee incentive plans or upon the exercise of share rights/options.

NOTES TO THE FINANCIAL STATEMENTS

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24 DISCONTINUED OPERATIONS

(a) Description

During December 2009 the Group announced the sale of the Cinemas business effective 18 February 2010. Accordingly, the Cinemas business is reported as a discontinued operation within the previous Financial Statements.

Financial information relating to the discontinued operation for the prior period is set out below.

(b) Financial performance and cash flow information

	CONSOLIDATED	
	2011 $'000	2010 $'000
Revenue	-	61,130
Expenses	-	(56,352)
Profit before income tax	-	4,778
Income tax expense	-	(1,632)
Profit after income tax of discontinued operations	-	3,146
Gain on sale of the division before income tax	-	7,184
Income tax expense	-	3,161
Gain on sale of the division after income tax	-	10,345
Profit from discontinued operations	-	13,491
Cash flow:		
Net cash inflow from operating activities	-	12,073
Net cash (outflow) from investing activities	-	(2,417)
Net cash (outflow) from financing activities	-	-
Net increase in cash generated by discontinued operations	-	9,656

NOTES TO THE FINANCIAL STATEMENTS

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25 RESERVES AND RETAINED PROFITS/(LOSSES)

	CONSOLIDATED		PARENT	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
(a) Reserves				
Hedging reserve – cash flow hedges	(12,340)	(2,740)	(427)	-
Foreign currency translation reserve	16,022	10,625	-	-
	3,682	7,885	(427)	-
Hedging reserve – cash flow hedges				
Balance at the beginning of the year	(2,740)	(8,753)	-	-
Revaluation	(77,025)	(26,707)	(593)	-
Transfer to net profit	63,292	35,283	-	-
Deferred tax	4,133	(2,563)	166	-
Balance 30 June	(12,340)	(2,740)	(427)	-
Foreign currency translation reserve				
Balance at the beginning of the year	10,625	17,440	-	-
Exchange difference on translation of overseas subsidiaries	5,397	(5,960)	-	-
Effect of hedging the net investment of overseas subsidiaries	-	(855)	-	-
Balance 30 June	16,022	10,625	-	-

(i) Hedging Reserve – Cash Flow Hedges

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

(ii) Foreign Currency Translation Reserve

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

	CONSOLIDATED		PARENT	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
(b) Retained Profit/(Losses)				
Movements in retained profits were as follows:				
Balance at the beginning of the year	17,397	(1,291)	(276,070)	(251,476)
Profit attributable to shareholders of the company	122,960	102,025	63,480	58,743
Dividends	(99,207)	(83,337)	(99,207)	(83,337)
Balance at the end of the year	41,150	17,397	(311,797)	(276,070)

NOTES TO THE FINANCIAL STATEMENTS

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26 NON-CONTROLLING INTEREST

	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000
Balance at the beginning of the year	**1,325**	1,482
Share of surpluses/(deficit) of subsidiaries	**43**	(157)
Balance at the end of the year	**1,368**	1,325

The non-controlling interest relates to the 40% of Queenstown Casinos Limited which is not owned by SKYCITY.

27 DIVIDENDS

	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000	PARENT 2011 $'000	PARENT 2010 $'000
Prior year final dividend	**53,198**	37,328	**53,198**	37,328
Current year interim dividend	**46,009**	46,009	**46,009**	46,009
Total dividends provided for or paid	**99,207**	83,337	**99,207**	83,337
Prior year final dividend (per share)	**9.25¢**	6.50¢	**9.25¢**	6.50¢
Current year interim dividend (per share)	**8.00¢**	8.00¢	**8.00¢**	8.00¢

On 16 August 2011, the directors resolved to declare a final dividend of 8.0 cents per share in respect of the year ended 30 June 2011 (refer to note 36 for further details).

NOTES TO THE FINANCIAL STATEMENTS

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28 FINANCIAL RISK MANAGEMENT

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

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

(a) Market Risk

(i) Currency Risk

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

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

The Group's exposure to the US dollar (refer to US dollar US Private Placement debt detailed in notes 17 and 18) has been fully hedged by way of cross-currency interest rate swaps (CCIRS), hedging US dollar exposure on both principal and interest. The CCIRS correspond in amount and maturity to the US dollar borrowings with no residual US dollar exposure.

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

(ii) Interest Rate Risk

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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28 FINANCIAL RISK MANAGEMENT (continued)

		PRINCIPAL – INTEREST RATE REPRICING						
	%	1 YEAR OR LESS $'000	1-2 YEARS $'000	2-3 YEARS $'000	3-4 YEARS $'000	4-5 YEARS $'000	OVER 5 YEARS $'000	TOTAL $'000
2011								
Cash and deposits	**2.50**	**55,690**	**-**	**-**	**-**	**-**	**-**	**55,690**
Advance to Christchurch Hotels	**2.68**	**6,235**	**-**	**-**	**-**	**-**	**-**	**6,235**
US Private Placement	**4.82**	**(296,563)**	**-**	**-**	**(56,798)**	**-**	**(244,108)**	**(597,469)**
Capital notes (NZ)	**7.25**	**-**	**-**	**-**	**(56,451)**	**-**	**-**	**(56,451)**
IRS/CCIRS*		**98,278**	**(32,300)**	**-**	**(7,552)**	**(35,840)**	**(22,586)**	**-**
		(136,360)	**(32,300)**	**-**	**(120,801)**	**(35,840)**	**(266,694)**	**(591,995)**
Weighted average debt interest rate	**7.36%**							
2010								
Cash and deposits	2.70	64,314	-	-	-	-	-	64,314
Advance to Christchurch Hotels	2.93	6,429	-	-	-	-	-	6,429
US Private Placement	5.18	(188,843)	(122,673)	-	-	(67,831)	(38,966)	(418,313)
Capital notes (NZ)	7.25	-	-	-	-	(47,043)	-	(47,043)
SKYCITY ACES (Aust)	5.01	(184,207)	-	-	-	-	-	(184,207)
IRS/CCIRS *		157,335	122,673	(115,421)	-	(88,561)	(76,026)	-
		(144,972)	-	(115,421)	-	(203,435)	(114,992)	(578,820)
Weighted average debt interest rate	7.28%							

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

For both 2011 and 2010 capital notes are the only interest-bearing debt within the parent entity. The only derivative that the parent entity is party to is a forward rate transaction hedging capital expenditure.

(iii) Electricity Price Risk

Maturing in December 2010 SKYCITY had one electricity derivative (Contract For Differences) for approximately 80% of SKYCITY Auckland's electricity consumption (2010: one contract) hedging an electricity supply contract at spot (floating) price. The CFD was a designated cash flow hedge with 100% effectiveness. The CFD is no longer required as replacement electricity supply contract is fixed rate.

Changes in the spot price of electricity will not impact on the Income Statement. Changes in fair value of the CFD will be reflected in Equity (Cash Flow Hedge Reserve) until released to the Income Statement to offset variability in the spot electricity price.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

28 FINANCIAL RISK MANAGEMENT (continued)

(iv) Summarised sensitivity analysis

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

	INTEREST RATE RISK				FOREIGN EXCHANGE RISK			
	-100BPS		+100BPS		-5%		+5%	
	PROFIT $'000	EQUITY $'000	PROFIT $'000	EQUITY $'000	PROFIT $'000	EQUITY $'000	PROFIT $'000	EQUITY $'000
CONSOLIDATED								
30 June 2011								
NZD/AUD movements	-	-	-	-	558	10,030	(505)	(9,075)
NZ interest rate movement	645	(10,207)	(645)	9,685	-	-	-	-
Australian interest rate movement	80	(7,086)	(80)	6,586	-	-	-	-
Total increase/(decrease)	725	(17,293)	(725)	16,271	558	10,030	(505)	(9,075)
30 June 2010								
NZD/AUD movements	-	-	-	-	(650)	15,590	588	(14,105)
NZ interest rate movement	(100)	(9,489)	100	8,813	-	-	-	-
Australian interest rate movement	726	(4,279)	(726)	4,062	-	-	-	-
Total increase/(decrease)	626	(13,768)	(626)	12,875	(650)	15,590	588	(14,105)

(b) Credit risk

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

28 FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk

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

Maturities of Committed Funding Facilities

The tables below analyse the Group's maturity profile of committed funding. The bank facility of $400 million (2010: $500 million) is not drawn down as at 30 June 2011 (2010: nil drawn down).

	LESS THAN 6 MONTHS $'000	6 - 12 MONTHS $'000	BETWEEN 1 AND 2 YEARS $'000	BETWEEN 2 AND 3 YEARS $'000	BETWEEN 3 AND 5 YEARS $'000	OVER 5 YEARS $'000	TOTAL $'000
CONSOLIDATED							
At 30 June 2011							
Bank facility	**-**	**-**	**-**	**200,000**	**200,000**	**-**	**400,000**
Capital notes	**-**	**-**	**-**	**-**	**56,451**	**-**	**56,451**
US Private Placement	**-**	**247,267**	**-**	**-**	**84,967**	**265,235**	**597,469**
Total debt facilities	**-**	**247,267**	**-**	**200,000**	**341,418**	**265,235**	**1,053,920**
Payables	**73,669**	**-**	**-**	**-**	**-**	**-**	**73,669**
Total drawn debt	**-**	**247,267**	**-**	**-**	**141,418**	**265,235**	**653,920**
Future contracted interest on drawn debt	**17,775**	**13,951**	**22,567**	**22,567**	**35,032**	**44,901**	**156,793**
Future contracted interest on CCIRS/IRS	**8,063**	**6,952**	**12,340**	**12,232**	**20,686**	**28,146**	**88,419**
At 30 June 2010							
Bank facility	-	500,000	-	-	-	-	500,000
Capital notes	-	-	-	-	47,043	-	47,043
SKYCITY ACES	184,207	-	-	-	-	-	184,207
US Private Placement	-	-	262,219	-	96,000	60,094	418,313
Total debt facilities	184,207	500,000	262,219	-	143,043	60,094	1,149,563
Paybles	66,480	-	-	-	-	-	66,480
Total drawn debt	184,207	-	262,219	-	143,043	60,094	649,563
Future contracted interest on drawn debt	15,872	12,679	21,347	11,548	21,204	8,148	90,798
Future contracted interest on CCIRS/IRS	4,408	4,183	7,427	5,131	9,578	4,576	35,303

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

28 FINANCIAL RISK MANAGEMENT (continued)

(d) Fair value estimation

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

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

	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL BALANCE $'000
CONSOLIDATED				
At 30 June 2011				
Assets				
Financial assets at fair value through profit or loss				
– Forward foreign currency contracts	-	**272**	-	**272**
Total assets	-	**272**	-	**272**
Liabilities				
Financial liabilities at fair value through profit or loss				
– Forward foreign currency contracts	-	**113**	-	**113**
Derivatives used for hedging	-	**43,382**	-	**43,382**
Total liabilities	-	**43,495**	-	**43,495**
At 30 June 2010				
Assets				
Derivatives used for hedging	-	26,041	-	26,041
Total assets	-	26,041	-	26,041
Liabilities				
Financial liabilities at fair value through profit or loss				
– Forward foreign currency contracts	-	226	-	226
Derivatives used for hedging	-	24,288	-	24,288
Total liabilities	-	24,514	-	24,514

Further details on derivatives are provided in note 12.

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 is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analyses, are used to determine fair value for the remaining financial instruments.

In 2011, the parent company has one forward exchange contract recognised in the balance sheet at fair value liability of $113,000 (2010: nil).

NOTES TO THE FINANCIAL STATEMENTS

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28 FINANCIAL RISK MANAGEMENT (continued)

(e) Financial instruments by category

	LOANS AND RECEIVABLES $'000	ASSETS/ (LIABILITIES) AT FAIR VALUE THROUGH THE INCOME STATEMENT $'000	DERIVATIVES USED FOR HEDGING $'000	LIABILITIES AT AMORTISED COST $'000
CONSOLIDATED				
At 30 June 2011				
Cash and bank balances	**104,577**	-	-	-
Trade receivables	**9,286**	-	-	-
Advance to Christchurch Hotels Limited	**6,235**	-	-	-
Sundry receivables	**11,244**	-	-	-
Derivative financial instruments	-	**159**	**(43,382)**	-
Interest-bearing liabilities	-	-	-	**(597,469)**
Capital notes	-	-	-	**(56,400)**
Payables	-	-	-	**(73,669)**
	131,342	**159**	**(43,382)**	**(727,538)**
At 30 June 2010				
Cash and bank balances	102,706	-	-	-
Trade receivables	10,434	-	-	-
Advance to Christchurch Hotels Limited	6,429	-	-	-
Sundry receivables	3,152	-	-	-
Derivative financial instruments	-	(226)	1,753	-
Interest-bearing liabilities	-	-	-	(417,126)
Capital notes	-	-	-	(47,030)
SKYCITY ACES	-	-	-	(183,880)
Payables	-	-	-	(66,486)
	122,721	(226)	1,753	(714,522)

(f) Capital Risk Management

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

In order to optimise its capital structure, the Group manages actual and forecast operational cash flows, capital expenditure and equity distributions. The Group primarily manages capital on the basis of gearing ratios measured on the basis of net debt to EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) and interest coverage (EBITDA relative to net interest cost).

The primary ratios were as follows at 30 June:

	2011 $'000	2010 $'000
Net debt to EBITDA	**2.0 x**	2.0 x
Interest coverage	**6.2 x**	5.7 x

These types of ratios are consistent with the financial covenants in the Group's various funding facilities. Actual gearing as at 30 June 2011 was within covenant limits on funding facilities.

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

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

NOTES TO THE FINANCIAL STATEMENTS

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29 SEGMENT INFORMATION

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

Segment information excludes discontinued operations (Cinemas) which were previously part of the "Rest of New Zealand" segment.

The Group is organised into the following main operating segments:

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

Rest of New Zealand
Rest of New Zealand includes the Group's interest in SKYCITY Hamilton, SKYCITY Queenstown Casino and Christchurch Casino.

SKYCITY Adelaide
SKYCITY Adelaide includes casino operations and food and beverage.

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

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

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

	SKYCITY AUCKLAND $'000	REST OF NEW ZEALAND $'000	SKYCITY ADELAIDE $'000	SKYCITY DARWIN $'000	INTER - NATIONAL BUSINESS $'000	CORPORATE/ GROUP $'000	TOTAL $'000
2011							
Revenue from external customers and other income	396,208	49,652	180,436	136,539	41,571	-	804,406
Share of net profits of associate	-	5,976	-	-	-	-	5,976
Less:							
Expenses	(205,522)	(28,343)	(135,629)	(91,840)	(25,356)	(29,416)	(516,106)
Impairment of Christchurch Casino	-	(15,000)	-	-	-	-	(15,000)
Depreciation and amortisation	(35,089)	(5,619)	(10,976)	(12,030)	-	(5,996)	(69,710)
Segment profit/EBIT	155,597	6,666	33,831	32,669	16,215	(35,412)	209,566
Finance costs							(43,772)
Profit before income tax							165,794
Segment assets	676,827	134,885	290,570	373,840	-	206,549	1,682,671
Investment in associates	-	73,782	-	-	-	-	73,782
Net additions to non-current assets (other than financial assets and deferred tax)	62,036	3,456	7,464	17,552	-	4,140	94,648

NOTES TO THE FINANCIAL STATEMENTS

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29 SEGMENT INFORMATION (continued)

	SKYCITY AUCKLAND $'000	REST OF NEW ZEALAND $'000	SKYCITY ADELAIDE $'000	SKYCITY DARWIN $'000	INTER - NATIONAL BUSINESS $'000	CORPORATE/ GROUP $'000	TOTAL $'000
2010							
Revenue from external customers and other income	393,326	47,261	169,263	134,522	26,485	-	770,857
Shares of net profits of associates	-	5,868	-	-	-	-	5,868
Less:							
Expenses	(199,528)	(27,072)	(129,862)	(86,698)	(17,572)	(27,590)	(488,322)
Depreciation and amortisation	(35,106)	(5,212)	(9,883)	(11,542)	-	(5,764)	(67,507)
Segment profit/EBIT	158,692	20,845	29,518	36,282	8,913	(33,354)	220,896
Finance costs							(47,388)
Profit before income tax							173,508
Segment assets	649,281	146,607	268,424	344,520	-	227,408	1,636,240
Investment in associates	-	83,549	-	-	-	-	83,549
Net additions to non-current assets (other than financial assets and deferred tax)	21,737	2,699	13,428	16,170	-	4,548	58,582

Breakdown of the revenue from all services is as follows:

	CONSOLIDATED 2011 $'000	CONSOLIDATED 2010 $'000	PARENT 2011 $'000	PARENT 2010 $'000
Revenue – products and services				
Local gaming	**586,480**	575,802	**-**	-
International business	**41,571**	26,485	**-**	-
Non-gaming	**175,094**	167,650	**-**	-
Total revenue	**803,145**	769,937	**-**	-
Revenue – geographic				
New Zealand	**479,958**	452,717	**-**	-
Australia	**323,187**	317,220	**-**	-
Total revenue	**803,145**	769,937	**-**	-
Non-current asset additions – geographic				
New Zealand	**69,632**	28,984	**-**	-
Australia	**25,016**	29,598	**-**	-
Total non-current asset additions	**94,648**	58,582	**-**	-
Non-current assets excluding financial instruments – geographic				
New Zealand	**910,978**	879,473	**-**	-
Australia	**611,927**	579,622	**-**	-
Total non-current assets excluding financial instruments	**1,522,905**	1,459,095	**-**	-

NOTES TO THE FINANCIAL STATEMENTS

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30 SHARE-BASED PAYMENTS

Executive Share Rights Plan 2005

The Executive Share Rights Plan (Rights Plan) was approved by directors in December 2004 and commenced on 1 July 2005. Share rights issued under the Rights Plan are exercisable after the third anniversary of their date of issue provided the terms and conditions of the Plan are met, and lapse if not exercised within five years. The exercise price of the share rights is the base exercise price adjusted for the company's estimated cost of equity and dividends/distributions between the issue date and the exercise date of the rights.

Chief Executive Officer Convertible Rights

A Commencement Grant of 200,000 convertible share rights was made to the CEO with effect from 1 March 2008. Each right converted into one SKYCITY share on 1 March 2010.

Chief Executive Officer Long Term Incentive Plan 2008

The Chief Executive Officer Long Term Incentive Plan (CEO LTI) was approved by shareholders at the 31 October 2008 Annual Meeting. Share rights are granted under the CEO LTI and (if exercisable) may be exercised at no cost. If exercised each share right corresponds to one fully paid ordinary share in the company. Share rights only become exercisable when performance hurdles set by the board of directors are met.

491,132 rights were issued in the year ended 30 June 2009 of which 275,034 have converted to shares in the current year.

Executive Long Term Incentive Plan 2008

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

875,000 rights were issued in the year ended 30 June 2009.

Chief Executive Officer and Executive Long Term Incentive Plan 2009

During the prior year, the Group implemented a new long term incentive plan for a limited number of senior executives (including the Chief Executive Officer). This plan replaced the share based Chief Executive Officer Long Term Incentive Plan 2008 and the Executive Long Term Incentive Plan 2008.

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

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

At 30 June 2011 the interest free loan on the CEO Long Term Incentive Plan is $5,846,428 (2010: $1,173,039) and on the Executive Long Term Incentive Plan totals $5,300,645 (2010: $1,904,372).

NOTES TO THE FINANCIAL STATEMENTS

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30 SHARE-BASED PAYMENTS (continued)

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

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT START OF THE YEAR NUMBER	GRANTED DURING THE YEAR NUMBER	EXERCISED/ CONVERTED DURING THE YEAR NUMBER	EXPIRED DURING THE YEAR NUMBER	BALANCE AT END OF THE YEAR NUMBER	EXERCISABLE AT END OF THE YEAR NUMBER
CONSOLIDATED AND PARENT – 2011								
05/09/05	**05/09/10**	**$4.81**	**231,000**	**-**	**-**	**(231,000)**	**-**	**-**
04/09/06	**04/09/11**	**$5.15**	**333,000**	**-**	**-**	**-**	**333,000**	**333,000**
01/03/08	**01/03/12**		**491,132**	**-**	**(275,034)**	**-**	**216,098**	**216,098**
01/07/08	**01/07/12**		**600,000**	**-**	**-**	**-**	**600,000**	**-**
02/09/09	**02/09/13**		**960,175**	**-**	**-**	**(57,750)**	**902,425**	**-**
31/08/10	**31/08/14**		**-**	**1,266,445**	**-**	**(50,250)**	**1,216,195**	**-**
02/03/11	**02/03/15**		**-**	**1,544,291**	**-**	**-**	**1,544,291**	**-**
Total			**2,615,307**	**2,810,736**	**(275,034)**	**(339,000)**	**4,812,009**	**549,098**
CONSOLIDATED AND PARENT – 2010								
08/09/04	08/09/09	$4.44	150,000	-	-	(150,000)	-	-
05/09/05	05/09/10	$4.81	231,000	-	-	-	231,000	231,000
04/09/06	04/09/11	$5.15	384,000	-	-	(51,000)	333,000	333,000
01/03/08	01/03/10		200,000	-	(200,000)	-	-	-
01/03/08	01/03/12		491,132	-	-	-	491,132	-
01/07/08	01/07/12		850,000	-	-	(250,000)	600,000	-
02/09/09	01/09/13		-	1,046,800	-	(86,625)	960,175	-
Total			2,306,132	1,046,800	(200,000)	(537,625)	2,615,307	564,000

Exercise price

The rights granted from 2008 onwards do not have an exercise price.

The weighted average remaining contractual life of options and rights outstanding at the end of the period was 2.55 years (2010: 2.10 years).

Fair value of share rights granted

The assessed fair value at grant date of the rights granted 31 August 2010 is 96.0 cents (2 September 2009: 98.3 cents).

The valuation inputs for the rights granted 31 August 2010 included:

(a) rights are granted for no consideration

(b) exercise price: nil (2010: nil)

(c) grant date: 31 August 2010 (2010: 2 September 2009)

(d) expiry date: 30 August 2014 (2010: 1 September 2013)

(e) share price at valuation date $2.87 (2010: $3.28)

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

The assessed fair value at grant date of the rights granted 2 March 2011 is $1.11.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

30 SHARE-BASED PAYMENTS (continued)

The valuation inputs for the rights granted 2 March 2011 included:

(a) rights are granted for no consideration

(b) exercise price: nil

(c) grant date: 2 March 2011

(d) expiry date: 2 March 2015

(e) share price at valuation date: $3.34

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

Expenses arising from Share-Based Payment Transactions

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

	CONSOLIDATED		PARENT	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Rights issued under Share Rights Plans	**1,047**	895	**1,047**	895
	1,047	895	**1,047**	895

31 RELATED PARTY TRANSACTIONS

There are no bad or doubtful debts associated with any related party of the Group or parent entity (2010: nil).

(a) Key Management and Personnel Compensation

Key management compensation for the years ended 30 June 2011 and 2010 is set out below. The key management personnel are all the directors of the company, the Chief Executive Officer and the direct reports to the Chief Executive Officer.

	SHORT-TERM BENEFITS $'000	TERMINATION PAYMENTS $'000	SHARE-BASED PAYMENTS $'000	TOTAL $'000
2011	**7,753**	**-**	**835**	**8,588**
2010	7,016	375	653	8,044

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

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

Certain directors and key 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 and key management are also non-executive directors of other companies. Any transactions undertaken with these entities have been entered into on an arms-length commercial basis.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

31 RELATED PARTY TRANSACTIONS (continued)

(c) Subsidiaries

Interests in subsidiaries are set out in note 32.

(d) Parent

The majority of the parent entity's transactions are with its subsidiaries including the payment of dividends of $100.1 million (2010: $100.2 million) and provision of employee services of $18.5 million (2010: $17.4 million) on normal commercial terms.

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

(e) Associates

The Group has loaned Christchurch Hotels Limited $6,235,251 (2010: $6,429,000) as set out in note 10 on normal commercial terms.

32 SUBSIDIARIES

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

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

			EQUITY HOLDING	
NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	2011 %	2010 %
Queenstown Casinos Limited	New Zealand	Ordinary	**60**	60
SKYCITY Action Management Limited	New Zealand	Ordinary	**100**	100
SKYCITY Auckland Holdings Limited	New Zealand	Ordinary	**100**	100
SKYCITY Auckland Limited	New Zealand	Ordinary	**100**	100
SKYCITY Casino Management Limited	New Zealand	Ordinary	**100**	100
SKYCITY Hamilton Limited	New Zealand	Ordinary	**100**	100
SKYCITY International Holdings Limited	New Zealand	Ordinary	**100**	100
SKYCITY Investments Australia Limited	New Zealand	Ordinary	**100**	100
SKYCITY Investments Christchurch Limited	New Zealand	Ordinary	**100**	100
SKYCITY Investments Queenstown Limited	New Zealand	Ordinary	**100**	100
SKYCITY Management Limited	New Zealand	Ordinary	**100**	100
SKYCITY Metro Limited	New Zealand	Ordinary	**100**	100
SKYCITY Wellington Limited	New Zealand	Ordinary	**100**	100
Sky Tower Limited	New Zealand	Ordinary	**100**	100
Toptown Nominees 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 Australia Treasury Pty Limited	Australia	Ordinary	**100**	100
SKYCITY Darwin Pty Limited	Australia	Ordinary	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

33 CONTINGENCIES

There are no significant contingencies at year end (2010: nil).

34 COMMITMENTS

Capital Commitments

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

	CONSOLIDATED		PARENT	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Property, plant and equipment	**59,695**	12,940	-	-

Operating Lease Commitments

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

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

Within one year	**5,482**	6,776	-	-
Later than one year but not later than five years	**13,419**	13,921	-	-
Later than five years	**318,673**	319,443	-	-
Commitments not recognised in the Financial Statements	**337,574**	340,140	-	-

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

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

	CONSOLIDATED		PARENT	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Profit for the year, including discontinued operations	**122,960**	102,025	**63,480**	58,743
Non-controlling interest	**43**	(157)	**-**	-
Depreciation and amortisation	**69,710**	67,507	**5,958**	5,727
Finance costs net	**43,772**	47,388	**3,908**	10,068
Current period employee share entitlement	**-**	(79)	**-**	(79)
Current period share options expense	**1,047**	895	**1,047**	895
Gain on sale of fixed assets	**(1,065)**	(733)	**-**	-
Gain on disposal of Cinemas	**-**	(13,491)	**-**	-
Dividend from subsidiary	**-**	-	**(100,133)**	(100,224)
Impairment of Christchurch Casinos	**15,000**	-	**-**	-
Share of profits of associates not received as dividends	**(5,233)**	(2,526)	**-**	-
Change in operating assets and liabilities:				
(Increase)/decrease in receivables and prepayments	**(7,720)**	974	**7,621**	(68,079)
Decrease/(increase) in inventories	**192**	(545)	**-**	-
Increase/(decrease) in payables and accruals	**9,052**	(8,543)	**20,779**	119,450
(Decrease)/increase in deferred tax liability	**(1,057)**	46,987	**-**	-
(Increase) in tax receivable	**(22,781)**	(21,821)	**-**	-
(Decrease) in other non-current liabilities	**-**	(2,547)	**-**	-
Capital items included in working capital movements	**(14,555)**	12,275	**-**	-
Subsidiary funding transactions	**-**	-	**(28,864)**	(52,581)
Net cash inflow from operating activities	**209,365**	227,609	**(26,204)**	(26,080)

36 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Dividend

On 16 August 2011, the directors resolved to provide for a final dividend to be paid in respect of the year ended 30 June 2011. The partially (60%) imputed, partially franked (60%) dividend of 8.0 cents per share will be paid on 7 October 2011 to all shareholders on the company's register at the close of business on 30 September 2011.

CORPORATE GOVERNANCE AND OTHER DISCLOSURES

FOR THE YEAR ENDED 30 JUNE 2011

CORPORATE GOVERNANCE

FOR THE YEAR ENDED 30 JUNE 2011

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

SKYCITY's corporate governance framework is fully detailed in the Investor Centre section of the company's website at www.skycityentertainmentgroup.com.

1. ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

SKYCITY's procedures are designed to:

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

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

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

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

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

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

2. STRUCTURE THE BOARD TO ADD VALUE

Board effectiveness requires the efficient discharge of the duties imposed by law on the directors and addition of value to the company. To achieve this, the SKYCITY board is structured to:

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

Board Composition

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

In order to meet these requirements, the board membership comprises a range of skills and experience to ensure that it has a proper understanding of and competence to deal with the current and emerging issues of the business, to effectively review and challenge the performance of management, and to exercise independent judgement. As at 30 June 2011, the board comprised seven non-executive directors and a managing director. Biographical details of individual directors are set out in the company's 2011 Shareholder Review.

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

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

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

CORPORATE GOVERNANCE

CONTINUED

Director Independence

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

At its 23 June 2011 meeting, the board reviewed the status of each director in accordance with the independence specification of the NZX Code and taking into account the ASX Independence Guidelines and determined that all current non-executive directors are independent.

Access to Information and Advice

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

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

Senior management is available at and outside each meeting to address queries. Directors are expected to maintain an up-to-date knowledge of the company's business operations and of the industry sectors within which the company operates. Directors are provided with updates on industry developments, and undertake regular visits to the company's key operations. The board also undertakes periodic educational trips to observe and receive briefings from other companies in the gaming and entertainment industries.

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

Indemnities and Insurance

The company provides a deed of indemnity in favour of each director and senior management personnel 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 three formally appointed committees, being the Audit and Risk Committee, Governance and Nominations Committee and Remuneration Committee. The non-executive directors of the board appoint the chairperson of each committee.

The current members and chairperson of each committee are set out in the company's 2011 Shareholder Review and on the company's website.

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

Meeting Attendance

The following table shows attendances at board and committee meetings by directors during the year ended 30 June 2011.

Nine board meetings were scheduled during the year.

	APPOINTMENT TO OFFICE	BOARD SCHEDULED	BOARD UNSCHEDULED	BOARD TOTAL	AUDIT AND RISK	REMUNERATION	GOVERNANCE AND NOMINATIONS
NUMBER OF MEETINGS HELD		9	-	9	3	4	1
R H McGeoch	20 September 2002	9	-	9	3	4	1
P D Cullinane	26 March 2008	9	-	9	-	4	1
P B Harman(1)	18 December 2008	9	-	9	1	4	1
C J D Moller	18 December 2008	9	-	9	3	-	1
N B Morrison	18 December 2008	9	-	9	-	-	1
Sir Dryden Spring	31 October 2003	9	-	9	3	4	1
B J Carter(2)	12 October 2010	7	-	7	2	-	1
S H Suckling(3)	9 May 2011	2	-	2	-	-	-

(1) P B Harman retired as a member of the Audit and Risk Committee on 11 October 2010.

(2) B J Carter was appointed a director of the company on 12 October 2010.

(3) S H Suckling was appointed a director of the company on 9 May 2011.

CORPORATE GOVERNANCE

CONTINUED

3. INTEGRITY AND ETHICAL BEHAVIOUR

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

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

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

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

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

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

Directors and employees are not permitted to participate in any gaming or wagering activity at SKYCITY operated properties or at a related property, including Christchurch Casino.

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

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

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

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

The Committee oversees the independence of the company's internal and external auditors and monitors the scope and quantum of work undertaken and fees paid to the auditors for other than audit work. The Committee has adopted an External Audit Independence 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 2010/11 year are set out in note 5 to the financial statements. Fees for audit and tax compliance work in the 2010/11 year represent 62% of total PricewaterhouseCoopers fees.

CORPORATE GOVERNANCE

CONTINUED

5. TIMELY AND BALANCED DISCLOSURE

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

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

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

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

6. RESPECT AND FACILITATE THE RIGHTS OF SHAREHOLDERS

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

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

The company achieves this by ensuring that information about the company is available to all shareholders by means of personal and/or website communication and through encouraging shareholders to attend general meetings of the company and making appropriate time available at such meetings for shareholders to ask questions of directors and management. Representatives of the company's external auditors are also invited to attend the company's annual meeting to answer any shareholder questions concerning their audit and external audit report. As for last year, this year the company has also provided all shareholders with a Shareholder Review, which contains much of the information previously included in the annual report in a more accessible document.

7. RECOGNISE AND MANAGE RISK

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

SKYCITY maintains an independent, centrally-managed internal audit function which evaluates and reports on financial, operational and management controls across the Group.

The Audit and Risk Committee approves the internal audit programme, with results and performance of the control environments regularly reviewed by both the committee and the external auditors. The Chief Executive Officer and the Chief Financial Officer are required to confirm in writing to the Audit and Risk Committee that the statement in respect of the integrity of the company's financial statements referred to above is founded on a sound system of risk management and internal compliance and control which implements the policies of the board, and that the company's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects. The most recent confirmations were provided by the Chief Executive Officer and the Chief Financial Officer in August 2011.

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

8. PERFORMANCE EVALUATION

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

The performance review of the board for 2010 was conducted by the chairman of the board (Rod McGeoch) and completed in April 2011. The review involved a formal response/feedback process with a one-on-one meeting involving the chairman and each director individually and involved input from external experts.

The board undertakes the performance review of the Chief Executive Officer and those reporting directly to that position in accordance with the company's performance review procedures, with the last review conducted in August 2011.

CORPORATE GOVERNANCE

CONTINUED

9. REMUNERATE FAIRLY AND RESPONSIBLY

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

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

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

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

Non-Executive Director Remuneration

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

At the 2008 annual meeting, shareholders approved, effective from 1 July 2008, a total remuneration amount for non-executive directors of $950,000 per annum (plus GST, if any).

Current annual fees are $200,000 for the chairperson of the board and $90,000 each for other non-executive directors. In addition, each ordinary member of the Audit and Risk and Remuneration Committees receives $10,000 per annum. The chairperson of the Audit and Risk Committee receives $35,000 per annum and the chairperson of the Remuneration Committee receives $25,000 per annum.

To continue to attract and retain qualified, highly capable directors from a pan-Australasian talent pool for the purpose of driving value and maintaining the highest standards of corporate governance on behalf of shareholders, it is proposed to seek approval from shareholders to increase the maximum total remuneration amount for the non-executive directors to $1,300,000 (plus GST, if any) at the company's annual meeting in November 2011. In seeking such approval, the board has considered a paper prepared by Ernst & Young for the Remuneration Committee – the purpose of which was to benchmark fees paid by SKYCITY to non-executive directors with a relevant comparator group of Australian/New Zealand large listed companies. If approved, it is proposed that:

- the annual fees be $250,000 for the chairperson of the board, $150,000 for the deputy chairperson of the board (a role established in August 2011) and $120,000 each for other non-executive directors; and
- the fee for each ordinary member of the Audit and Risk and Remuneration Committees be increased from $10,000 to $15,000 per annum with no increase to the fees for chairing either committee.

For those directors who were in office on or before 1 May 2004, SKYCITY's constitution permits the company, at the discretion of the board, to make a retirement payment to a director (or to his or her dependants), provided that the total amount of the payment does not exceed the total remuneration of the director in his or her capacity as a director in any three years chosen by the company. Retirement allowances for SKYCITY directors were discontinued at 30 June 2004 with retirement allowances accrued to that date frozen as to amount. Rod McGeoch and Sir Dryden Spring are the only directors eligible for the retirement allowance – currently $22,913.24 and $3,350.93 respectively. Retirement allowances accrued as at 30 June 2004 do not carry any interest entitlement between 1 July 2004 and the date of payment.

SKYCITY's policy on non-executive director remuneration was developed in 2011 by the Remuneration Committee and subsequently approved by the board. It is available in the Investor Centre section of the company's website at www.skycityentertainmentgroup.com.

Chief Executive Officer Remuneration

Employment Agreement

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

CORPORATE GOVERNANCE

CONTINUED

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

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

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

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

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

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

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

There is no redundancy entitlement under the agreement.

Long Term Incentive Plan

The company operates a Long Term Incentive (LTI) Plan in favour of Mr Morrison. Under the Chief Executive Officer Long Term Incentive Plan approved by shareholders at the company's 2009 annual meeting, Mr Morrison is provided with financial assistance by way of an interest-free loan by a subsidiary of the company to acquire shares in the company. A trustee holds legal title to the relevant shares on behalf of Mr Morrison for a restrictive period of at least three years until certain performance hurdles are met. The performance hurdles involve comparison of the total shareholder return (TSR) achieved by SKYCITY against the shareholder returns achieved by a group of comparable Australasian companies (comparator group), and by the companies whose securities are in the NZSX50 index (index group).

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

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

Remuneration

Mr Morrison's base salary and STI in respect of the year ended 30 June 2011 was $2,644,376.94 comprising base salary of $1,535,576.94 plus a performance-related STI payment of $1,108,800 relating to the 2010/11 financial year which was paid in August 2011. During the year, Mr Morrison was also paid a performance-related STI of $1,435,000 relating to the prior 2009/10 financial year.

Under the terms of the Chief Executive Officer Long Term Incentive Plan approved by shareholders at the company's 2009 annual meeting, Mr Morrison was provided with an interest-free loan of $1,200,000 to purchase 415,945 (effective 31 August 2010) shares in the company during the year ended 30 June 2011.

In April 2011, in order to significantly improve the prospects and certainty of retaining Mr Morrison, the board decided to accelerate the allocation of Mr Morrison's future entitlements. It did this by modifying the Chief Executive Officer Long Term Incentive Plan to allow the accelerated allocation of shares. Subsequently, Mr Morrison was provided with an interest-free loan of $3,600,000 to purchase 1,094,291 (effective 2 March 2011) shares in the company.

Mr Morrison was previously issued 491,132 share rights under the Chief Executive Officer Long Term Incentive Plan 2008 approved by shareholders at the company's 2008 annual meeting. Share rights become exercisable when performance hurdles set by the board are met and, if exercised, each share right corresponds to one SKYCITY share. On 16 March 2011, 275,034 share rights converted to 275,034 SKYCITY shares. On 23 September 2011, a further 88,404 share rights converted to 88,404 SKYCITY shares.

Mr Morrison's shareholding in the company and LTI entitlements are detailed on pages 63 and 66 of this annual report.

CORPORATE GOVERNANCE

CONTINUED

SKYCITY Employee Remuneration

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

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

Short Term Incentive Arrangements

Salaried Incentive Plans
Senior Executive STI
To drive outstanding company and individual performance, SKYCITY operates a Short Term Incentive (STI) Plan for the senior executive group. For each individual, 80% of their STI target is linked to the achievement of company financial targets with the remaining component dependent on the achievement of individual, largely non-financial strategic objectives.

For the year ended 30 June 2011, a total of $1,005,415 was paid under the Senior Executive STI Plan to ten executives – an amount equivalent to 23% of combined base salary for this group.

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

Payments under the Salaried STI Plan have a minimum trigger point based on company and business unit financial targets and increase according to the degree by which the company performs relative to these financial targets. For the year ended 30 June 2011, 247 salaried staff participated in the Salaried STI Plan. Based on achievement of individual and financial targets, 216 staff received an average STI payment of 12% of their fixed salaries.

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

In total, 320 SKYCITY salaried personnel were paid incentives totalling $2,245,650 under the Salaried STI and IB Plans.

The board has approved the continuation of the Senior Executive and Salaried STI Plans and the IB Plan for 2011/12 with minimal changes.

Long Term Incentive Arrangements

Executive Share Plan 2009
A new Long Term Incentive Plan (LTI Plan 2009) for senior executives was introduced in 2009, which is similar to the Long Term Incentive Plan approved for the Chief Executive Officer at the annual meeting in 2009.

The LTI Plan 2009 replaced the Rights Plan 2008 referred to below with effect from 1 July 2009 for the 2009/10 financial year and subsequent years.

The LTI Plan 2009 differs from the Rights Plan 2008 in two key respects. Firstly, it includes the provision of financial assistance to selected senior executives by way of an interest-free loan by a subsidiary of the company and, secondly, it includes the immediate issue, or acquisition on-market, of shares in the company by such participants rather than the issue of share rights (being rights to acquire ordinary shares in the company). A trustee holds legal title to the relevant shares on behalf of such participants for a restrictive period until certain performance hurdles are met. In all other material respects, the LTI Plan 2009 is unchanged from the Rights Plan 2008.

Details of the shares issued under the LTI Plan 2009 and outstanding as at 26 September 2011 are set out on page 66 of this annual report.

Executive Share Rights Plan 2008
The Long Term Incentive Plan (Rights Plan 2008) for senior executives was introduced in respect of the 2008/09 financial year, which was similar to the Long Term Incentive Plan approved for the Chief Executive Officer at the annual meeting in 2008.

Under the Rights Plan 2008, selected senior executives were issued share rights entitling them to receive shares based on the company's achievement of designated performance hurdles. 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).

CORPORATE GOVERNANCE

CONTINUED

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

Performance will be assessed three years after the issue of the rights, and (provided rights 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. Rights which have not previously become exercisable will lapse to the extent performance hurdles have not been fully satisfied in respect of the period to the fourth anniversary of the issue date.

Details of the share rights issued under the Rights Plan 2008 and outstanding as at 26 September 2011 are set out on page 66 of this annual report.

10. RECOGNISE THE OBLIGATIONS TO ALL STAKEHOLDERS

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

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

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

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

SKYCITY confirms that other than as set out below it has complied with the NZX Corporate Governance Best Practice Code and the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations during the 2010/11 year:

- The company has not included the biographical details of its current directors, or details of current members and chairpersons of its board committees, in this annual report. Their details are contained in the company's 2011 Shareholder Review and are available at all times on the company's website.
- The company does not make available to external parties certain internal policies and procedures. SKYCITY believes that the board charter and the comprehensive references to governance in this annual report and on the company's website provide good disclosure of the company's internal processes and mechanisms and that the underlying intention of the ASX Corporate Governance Council's recommendations on reporting of internal mechanisms have been met.
- Shareholders have not approved extensions of the SKYCITY senior executive options/rights/share plans. The original SKYCITY executive share option plan was approved by shareholders at the 1999 annual meeting of the company and was subsequently extended by the board in August 2002. The Executive Share Rights Plan 2005 (which replaced the Executive Share Option Plan 2002) was approved by the board in December 2004. The Executive Share Rights Plan 2008 (which replaced the Executive Share Rights Plan 2005) was approved by the board in December 2008 and is similar to the Long Term Incentive Plan approved for the Chief Executive Officer at the annual meeting in 2008. The Executive Share Rights Plan 2008 sets out a remuneration structure for senior executives entitling them to receive shares based on the company's achievement of designated performance hurdles, which involve comparison of the total shareholder return achieved by SKYCITY against the shareholder returns achieved by a group of comparable Australasian companies, and by the companies whose securities are in the NZSX50 index. As with the Executive Share Rights Plan 2005, the Executive Share Rights Plan 2008 imposes a three year restriction before benefits can be realised by participants. The Executive Share Plan 2009 (which replaced the Executive Share Rights Plan 2008) was approved by the board in September 2009 in respect of the 2009/10 financial year and subsequent years and, other than the two key differences detailed above, the terms remain unchanged from the Executive Share Rights Plan 2008.

SHAREHOLDER INFORMATION

TWENTY LARGEST SHAREHOLDERS AS AT 15 AUGUST 2011

		NUMBER OF SHARES	% OF SHARES
1	Accident Compensation Corporation	26,842,052	4.65%
2	Investors Mutual Limited	25,220,666	4.37%
3	BlackRock, Inc.	23,647,937	4.10%
4	AMP Group Holdings Limited	22,011,560	3.82%
5	State Street Corporation	19,730,654	3.42%
6	Ellerston Capital Limited	19,255,438	3.34%
7	Paradice Investment Management Pty Limited	18,824,572	3.26%
8	Mondrian Investment Partners Limited	17,100,159	2.96%
9	OnePath (NZ) Limited	16,223,494	2.81%
10	Lazard Asset Management Pacific Company	15,882,188	2.75%
11	Harbour Asset Management Limited	15,421,913	2.67%
12	Westpac Banking Corp	12,478,561	2.16%
13	Integrity Investment Management Limited	11,650,919	2.02%
14	Craigs Investment Partners Investment Management Limited	9,367,476	1.62%
15	Milford Asset Management Limited	7,379,041	1.28%
16	Perpetual Investments Limited	7,050,950	1.22%
17	First NZ Capital Securities	7,029,239	1.22%
18	Private Nominees Limited	6,202,824	1.08%
19	PM CAPITAL Limited	6,032,708	1.05%
20	Legal & General Investment Management Limited (UK)	5,622,528	0.97%
Total		292,974,879	50.78%

The analysis as set out above has been compiled based on information provided to the company by Thomson Reuters.

Total shares on issue as at 15 August 2011 were 576,958,340 of which 4,351,766 were held by Public Trust on behalf of eligible and future participants pursuant to the Chief Executive Officer Long Term Incentive Plan 2009 and the Executive Long Term Incentive Plan 2009. No shares were held by the company directly as treasury stock.

SHAREHOLDER INFORMATION

CONTINUED

DISTRIBUTION OF ORDINARY SHARES AND REGISTERED SHAREHOLDINGS AS AT 15 AUGUST 2011

	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES
1 – 1,000	3,614	1,424,445
1,001 – 5,000	9,843	27,362,110
5,001 – 10,000	3,688	26,276,046
10,001 – 100,000	3,324	75,212,899
> 100,000	195	446,682,840
Total	20,664	576,958,340

As at 15 August 2011, there were 1,260 shareholders (with a total of 88,443 shares) holding less than a marketable parcel of shares under the ASX Listing Rules, based on the closing share price of A$2.77. The ASX Listing Rules define a marketable parcel of shares as a parcel of shares of not less than A$500.

SUBSTANTIAL SECURITY HOLDERS

In accordance with section 26(1) of the Securities Markets Act 1988, the following persons had given notice as at 15 August 2011 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
AMP Capital Investors (New Zealand) Limited	1 April 2011	32,104,033	5.58%

No further substantial security holder notices had been received as at 26 September 2011.

DIRECTOR AND EMPLOYEE REMUNERATION

REMUNERATION OF DIRECTORS

Non-Executive Directors

Remuneration paid to directors for services in their capacity as directors of SKYCITY Entertainment Group Limited during the year ended 30 June 2011 is as listed below:

R H McGeoch (Chairman)	$200,000
P D Cullinane	$100,000
P B Harman	$117,796
C J D Moller	$125,000
Sir Dryden Spring	$110,000
B J Carter(1)	$72,043
S H Suckling(2)	$15,968

(1) B J Carter received total remuneration of $100,000 during the 2010/11 year. B J Carter was appointed a director of the company on 12 October 2010. Accordingly, from 12 October 2010 until the end of the 2010/11 year, remuneration paid was in respect of services provided in his capacity as a director. Prior to his appointment as a director, B J Carter provided consultancy services to the Group and remuneration paid was in respect of consultancy services.

(2) S H Suckling received total remuneration of $84,651 during the 2010/11 year. S H Suckling was appointed a director of the company on 9 May 2011. Accordingly, from 9 May 2011 until the end of the 2010/11 year, remuneration paid was in respect of services provided in her capacity as a director. Prior to her appointment as a director, S H Suckling provided consultancy services to the Group and remuneration paid was in respect of consultancy services.

No other non-executive director of the Group or parent company has, since the end of the financial year, received or become entitled to receive a benefit other than director's fees for the 2010/2011 financial year or reimbursement of expenses incurred in relation to company matters, or as is disclosed elsewhere in this annual report.

Other Directorships

Christchurch Casinos Limited, in which SKYCITY has a 50% interest, paid director's fees of $40,000 each for A B Ryan and N B Morrison. These fees were paid to SKYCITY and were not received personally by either Messrs Ryan or Morrison.

Queenstown Casinos Limited, in which SKYCITY has a 60% interest, paid director's fees of $7,500 each for A B Ryan and P A Treacy. These fees were paid to SKYCITY and were not received personally by either Messrs Ryan or Treacy.

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 2011, are listed below.

Remuneration includes salary, incentive payments under the SKYCITY performance pay incentive plan and short term cash bonuses and, where applicable, the value of executive share options, rights and shares expensed during the year ended 30 June 2011. 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	38
$110,000–$119,999	27
$120,000–$129,999	21
$130,000–$139,999	21
$140,000–$149,999	11
$150,000–$159,999	6
$160,000–$169,999	9
$170,000–$179,999	7
$180,000–$189,999	6
$190,000–$199,999	2
$200,000–$209,999	2
$220,000–$229,999	2
$230,000–$239,999	1
$240,000–$249,999	1
$250,000–$259,999	4
$260,000–$269,999	1
$270,000–$279,999	3
$290,000–$299,999	1
$300,000–$309,999	1
$310,000–$319,999	1
$320,000–$329,999	1
$330,000–$339,999	1
$340,000–$349,999	1
$350,000–$359,999	1
$400,000–$409,999	1
$420,000–$429,999	1
$450,000–$459,999	1
$480,000–$489,999	1
$530,000–$539,999	2
$620,000–$629,999	1
$630,000–$639,999	3
$660,000–$669,999	1
$670,000–$679,999	1
Total	181

DIRECTORS' DISCLOSURES

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 2011 (notices given by directors during the year ended 30 June 2011 are marked with an asterisk):

R H McGeoch

Aon New Zealand Limited (previously Aon Risk Services Limited)	Member NSW Board of Advice
BGP Holdings plc (Malta)	Director
BGP Investments S.a.r.l (Luxembourg)	Director
Events New South Wales Pty Limited	Director*
McGeoch Holdings Pty Limited	Director
Ramsay Health Care Limited	Director
Sydney Cricket and Sports Ground Trust	Trustee
Vantage Private Equity Growth Limited	Chair

B J Carter

ASC Pty Limited	Director*
Badge Management Pty Limited	Director*
Cobbadah Pty Limited	Director*
Eudunda Farmers Limited	Director*
Ferrier Hodgson	Partner*
Genesee & Wyoming Australia Pty Limited	Director*
RSC Nominees Pty Limited	Director*
Territory Insurance Office	Chair*(1)

P D Cullinane

Assignment Group New Zealand Limited	Director
Low Flying Kiwis Limited	Director and Shareholder
STW Communications Group Limited	Director and Shareholder
The Antipodes Water Company Limited	Director and Shareholder

P B Harman

G R Media Holdings Limited and certain subsidiaries	Director
Harman Consulting Limited	Director and Shareholder
Harman Investments Limited	Director and Shareholder
Metlifecare Limited	Director

C J D Moller

ICC Development (International) Limited	Director*
International Cricket Council	Director*
Meridian Energy Limited	Chair(2)
New Zealand Cricket (Inc.)	Chair(3)
New Zealand Transport Agency	Chair
NZX Limited	Director
Rugby New Zealand 2011 Limited	Director
Victoria University of Wellington Foundation	Trustee
Westpac New Zealand Limited	Director*
Westpac Regional Stadium Trust	Trustee

Sir Dryden Spring

ANZ National Bank Limited	Chair
New Zealand Business and Parliament Trust	Trustee
Northport Limited	Alternate Director
Port of Tauranga Limited	Director
Visy Industries	Member of Advisory Board

S H Suckling

Barker Fruit Processors Limited and certain subsidiaries	Chair*
Carter Price Rennie Limited	Chair*
ECL Group Limited	Chair*
New Zealand Qualifications Authority	Chair*
Oxford Clinic Hospital Limited	Director*
Oxford Health Group Limited	Director*
Restaurant Brands New Zealand Limited	Director*
Stretton Clothing Company Limited	Director*
Stretton Publishing Company Limited	Chair*
Takeovers Panel	Member*
Basketball New Zealand	Acting Chair*

(1) B J Carter was appointed chair of Territory Insurance Office on 1 April 2011.

(2) C J D Moller was appointed chair of New Zealand Cricket Inc on 29 August 2010.

(3) C J D Moller was appointed chair of Meridian Energy Limited on 1 January 2011.

DIRECTORS' DISCLOSURES

CONTINUED

The following details included in the Interests Register as at 30 June 2010, or entered during the year ended 30 June 2011, have been removed during the year ended 30 June 2011:

- R H McGeoch is no longer a director of Telecom Corporation of New Zealand Limited.
- B J Carter is no longer a director of EPAC Salary Solutions Pty Limited and the South Australia Economic Development Board, an executive committee member of the Executive Committee of South Australian Cabinet and the National President of the National Heart Foundation of Australia.
- P D Cullinane is no longer a director of Talk Me Into It Limited.
- C J D Moller is no longer a director of Synlait Limited.
- Sir Dryden Spring is no longer a director of Fletcher Building 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 2011:

	DATE OF ACQUISITION/ DISPOSAL DURING PERIOD	CONSIDERATION	SHARES ACQUIRED/ (DISPOSED)
R H McGeoch	23 August 2010[(1)]	A$48,913.20	21,000
B J Carter	1 April 2011[(2)]	NZ$2,399.21	726
P D Cullinane	31 August 2010	NZ$49,680.00	17,250
P B Harman	25 August 2010[(3)]	NZ$14,455.00	5,000
N B Morrison	31 August 2010[(4)]	NZ$1,200,001.33	415,945
	16 March 2011	Nil[(5)]	(275,034)
	16 March 2011	Nil[(5)]	275,034
	18 May 2011[(4)]	$3,599,998.53[(6)]	1,094,291
Sir Dryden Spring	24 August 2010[(7)]	NZ$29,200.00	10,000

(1) Shares held by McGeoch Holdings Pty Limited.

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

(3) Shares held by Investment Custodial Services Limited.

(4) Shares held by Public Trust.

(5) Share rights converted to shares under the Chief Executive Officer Long Term Incentive Plan 2008.

(6) Shares allocated under the Chief Executive Officer Long Term Incentive Plan 2009.

(7) Shares held by Sir Dryden & Lady Margaret Annette Spring.

DIRECTORS' DISCLOSURES

CONTINUED

DISCLOSURE OF DIRECTORS' INTERESTS IN SHARES, OPTIONS AND CAPITAL NOTES

Directors disclosed the following relevant interests in SKYCITY shares as at 30 June 2011:

	SHARES BENEFICIALLY HELD
R H McGeoch	69,091 (1)
B J Carter	30,726 (2)
P D Cullinane	17,250
P B Harman	22,273 (3)
	10,000 (4)
C J D Moller	26,915 (5)
N B Morrison	82,233 (6)
	475,034
	216,098 (7)
	1,876,536 (8)
Sir Dryden Spring	21,381 (9)
	15,919 (10)

(1) Shares held by McGeoch Holdings Pty Limited.

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

(3) Shares held by Forbar Nominees Limited.

(4) Shares held by Investment Custodial Services Limited.

(5) Shares held by First NZ Capital Limited.

(6) Shares held by Perpetual Limited.

(7) Share rights acquired under the Chief Executive Officer Long Term Incentive Plan 2008.

(8) Shares acquired under the Chief Executive Officer Long Term Incentive Plan 2009 and held by Public Trust.

(9) Shares held by Sir Dryden & Lady Margaret Annette Spring.

(10) Shares held by the Spring Family Trust.

S H Suckling did not have any relevant interest in SKYCITY shares as at 30 June 2011.

NOTEHOLDER INFORMATION

CAPITAL NOTES

In May 2000, SKYCITY Entertainment Group Limited issued 150 million unsecured subordinated capital notes for a five year term at an issue price of $1.00. In May 2005, the capital notes were reissued for a new term of five years at a fixed interest rate of 8.0% per annum. In May 2010, the capital notes were reissued for a further term of five years at a fixed interest rate of 7.25% per annum. For further information refer note 19 of the financial statements.

As at 15 August 2011, SKYCITY was the holder of 93,549,500 capital notes as treasury stock. The capital notes held by SKYCITY are not included in the table below.

TWENTY LARGEST CAPITAL NOTEHOLDERS AS AT 15 AUGUST 2011

		NUMBER OF CAPITAL NOTES	% OF CAPITAL NOTES
1.	FNZ Custodians Limited	3,836,000	2.56%
2.	Investment Custodial Services Limited – A/C C	1,611,000	1.07%
3.	FNZ Custodians Limited – DRP NZ A/C	912,000	0.61%
4.	Custodial Services Limited – A/C 3	895,000	0.60%
5.	Invercargill Licensing Trust	500,000	0.33%
6.	Forsyth Barr Custodians Limited	335,000	0.22%
7.	Hugh McCracken Ensor & Vivienne Margaret Ensor – HMVE Family A/C	300,000	0.20%
8.	Frimley Foundation	300,000	0.20%
9.	H B Williams Turanga Trust – H B Williams Turanga A/C	300,000	0.20%
10.	Resolution Investments Limited	300,000	0.20%
11.	Custodial Services Limited – A/C 4	234,000	0.16%
12.	Custodial Services Limited – A/C 6	225,000	0.15%
13.	Custodial Services Limited – A/C 2	210,000	0.14%
14.	John Archer & Pearl Archer	200,000	0.13%
15.	Michael David Domett	200,000	0.13%
16.	Fraser Smith Holdings Limited	200,000	0.13%
17.	Gayworth Properties Limited	200,000	0.13%
18.	JBWere (NZ) Nominees Limited – A/C 31873	200,000	0.13%
19.	Kings College Foundation	200,000	0.13%
20.	John Richard Matthews & Rosemary Jennifer Matthews & Bruce Redvers Perkins – Matthews A/C	200,000	0.13%
Total		11,358,000	7.57%

DISTRIBUTION OF CAPITAL NOTE HOLDINGS AS AT 15 AUGUST 2011

	NUMBER OF CAPITAL NOTES	NUMBER OF CAPITAL NOTES
1 – 1,000	1	250
1,001 – 5,000	233	1,165,000
5,001 – 10,000	444	4,150,500
10,001 – 100,000	1,106	36,305,750
> 100,000	44	108,378,500
Total	1,828	150,000,000

COMPANY DISCLOSURES

STOCK EXCHANGE LISTINGS

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

SKYCITY Entertainment Group Limited has been designated as 'Non-Standard' by the NZX due to the nature of the company's constitution. In particular, the constitution places restrictions on the transfer of shares in the company in certain circumstances and provides that votes and other rights attached to shares may be disregarded and shares may be sold if these restrictions are breached, as more particularly described on pages 66 and 67 of this annual report.

SKYCITY ENTERTAINMENT GROUP LIMITED

B J Carter was appointed as a director of SKYCITY Entertainment Group Limited on 12 October 2010.

S H Suckling was appointed as a director of SKYCITY Entertainment Group Limited on 9 May 2011.

SUBSIDIARY COMPANIES

Changes to Subsidiary Company Directorships

The changes to subsidiary company directorships during the 12 month period ended 30 June 2011 are set out below:

- T A K Wilson resigned as a director of SKYCITY Darwin Pty Limited on 30 September 2010 and B K Morgan was appointed as a director of SKYCITY Darwin Pty Limited on 1 October 2010.
- P A Treacy was appointed as a director of Queenstown Casinos Limited on 22 October 2010.
- N B Morrison resigned as a director of Queenstown Casinos Limited on 22 October 2010 and was appointed an alternate director for each of P A Treacy and A B Ryan on the same date.
- R H McGeoch, B J Carter, P D Cullinane, P B Harman, C J D Moller and Sir Dryden Spring resigned as directors of SKYCITY Investments Australia Limited on 24 May 2011.
- P A Treacy was appointed as a director of SKYCITY Investments Australia Limited on 24 May 2011.

Subsidiary Company Directorships

The following persons held office as directors of subsidiaries of SKYCITY Entertainment Group Limited as at the end of the 2011 financial year, being 30 June 2011:

- Directors: N B Morrison and P A Treacy:

  Planet Hollywood (Civic Centre) 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 Christchurch Limited
  SKYCITY Investments Queenstown Limited
  SKYCITY Management Limited
  SKYCITY Metro Limited
  SKYCITY Wellington Limited
  Sky Tower Limited
  Toptown Nominees Limited

- Directors: D D Christian, N B Morrison, P A Treacy and R H McGeoch:

  SKYCITY Adelaide Pty Limited
  SKYCITY Australia Finance Pty Limited
  SKYCITY Australia Pty Limited

- Directors: N B Morrison, P A Treacy and R H McGeoch:

  SKYCITY Treasury Australia Pty Limited

- Directors: N B Morrison, P A Treacy and B K Morgan:

  SKYCITY Darwin Pty Limited

- Directors: A B Ryan, P A Treacy, N B Morrison (as alternate) (all SKYCITY representatives on the board), P J Hensman and B C Thomas:

  Queenstown Casinos Limited

Non-wholly Owned Company Directorships

At 30 June 2011, SKYCITY also had an interest in, and was represented by SKYCITY executives on the boards of, the companies listed below:

- SKYCITY representatives on the board – N B Morrison and A B Ryan:

  Christchurch Hotels Limited
  Premier Hotels (Christchurch) Limited

- SKYCITY representatives on the board – N B Morrison, A B Ryan and P A Treacy (as alternate):

  Christchurch Casinos Limited

- SKYCITY representative on the board – N B Morrison:

  Force Location Limited

OTHER INFORMATION

WAIVERS FROM THE NEW ZEALAND AND AUSTRALIAN STOCK EXCHANGES

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

- on 9 February 2011, NZX granted a waiver from LR 7.11.1 (relating to the requirement for allotment to occur within five business days following the latest date on which applications for securities close) in relation to the allotment of shares pursuant to the company's dividend reinvestment plan; and
- on 19 April 2011, NZX granted a waiver from LR 7.3.1 (relating to the requirement for shareholder approval) in relation to an amendment to the Chief Executive Long Term Incentive Plan to enable the company to make allocations twice annually, rather than annually.

All other waivers granted prior to the 12 month period preceding the date two months before the date of this annual report had ceased to have effect or were not relied upon during the period.

SHARE AND SHARE RIGHTS HOLDERS

As at 26 September 2011, shares and share rights on issue were as detailed below:

- 127,694 share rights issued under the Chief Executive Officer Long Term Incentive Plan approved by shareholders at the 2008 annual meeting, held by the Chief Executive Officer. Share rights are granted under the Chief Executive Officer Long Term Incentive Plan and, if exercisable, may be exercised at no cost. If exercised, each share right corresponds to one SKYCITY share. Share rights only become exercisable when performance hurdles set by the board of directors are met;
- 78,000 share rights issued under the Executive Long Term Incentive Plan approved by directors in December 2008, held by 10 holders. Share rights are granted under the Executive Long Term Incentive Plan and, if exercisable, may be exercised at no cost. If exercised, each share right corresponds to one SKYCITY share. Share rights only become exercisable when performance hurdles set by the board of directors are met;
- 1,876,536 shares issued under the Chief Executive Officer Long Term Incentive Plan approved by shareholders at the 2009 annual meeting, held by Public Trust on behalf of the Chief Executive Officer. The shares have been purchased by Mr Morrison under the Chief Executive Officer Long Term Incentive Plan with the assistance of interest-free loans and are held on behalf of Mr Morrison by Public Trust for a restrictive period. The shares vest in Mr Morrison only when performance hurdles set by the board of directors are met; and
- 1,786,375 shares issued under the Executive Long Term Incentive Plan approved by directors in September 2009, held by Public Trust on behalf of 20 participants. The shares have been purchased by the participants under the Executive Long Term Incentive 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 ACQUISITION OF ORDINARY SHARES

The company's constitution contains various provisions which are included to take into account the application of:

- the Gambling Act 2003 (New Zealand);
- the Casino Act 1997 (South Australia);
- the Gaming Control Act (Northern Territory); and
- the legislation providing for the establishment, operation and regulation of casinos in any other jurisdiction in which SKYCITY or any of its subsidiaries may hold a casino licence.

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

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

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

TRANSFER OF SHARES

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

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

OTHER INFORMATION

CONTINUED

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

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

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

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

DONATIONS

Donations of $1,035,664 were made by the company during the 12 month period ended 30 June 2011 ($104,700 during the 12 months ended 30 June 2010), $997,337 of which was provided in connection with the Christchurch earthquake appeals.

OTHER LEGISLATION/REQUIREMENTS

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

Other than the provisions noted on pages 66 and 67, the only significant restrictions or limitations in relation to the acquisition of securities are those imposed by New Zealand laws relating to takeover, overseas investment and competition.

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

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

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

OTHER DISCLOSURES

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

From time to time, the Public Trust acquires shares in the company on-market for the purposes of the Chief Executive Officer Long Term Incentive Plan 2009 and Executive Long Term Incentive Plan 2009 as referred to above. In addition, SKYCITY (or a nominee or agent of SKYCITY) may, from time to time, acquire existing shares in the company to satisfy its obligations to participating shareholders under the company's Dividend Reinvestment Plan established in February 2011. As at 26 September 2011, the company has in place an on-market share buy-back programme to acquire up to 3,000,000 existing shares in the company to meet its obligations to participating shareholders in respect of the company's full year dividend payable on 7 October 2011 with any remaining shares acquired to be held as treasury stock.

SKYCITY Entertainment Group Limited is incorporated in New Zealand and is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act (Australia).

There are no material differences between NZX Appendix 1 and ASX Appendix 4E issued by SKYCITY Entertainment Group Limited on 17 August 2011 in respect of the year ended 30 June 2011 and this annual report.

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

DIRECTORY

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Commonwealth Bank of Australia

Bank of New Zealand

Westpac Banking Corporation

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SKYCITY

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