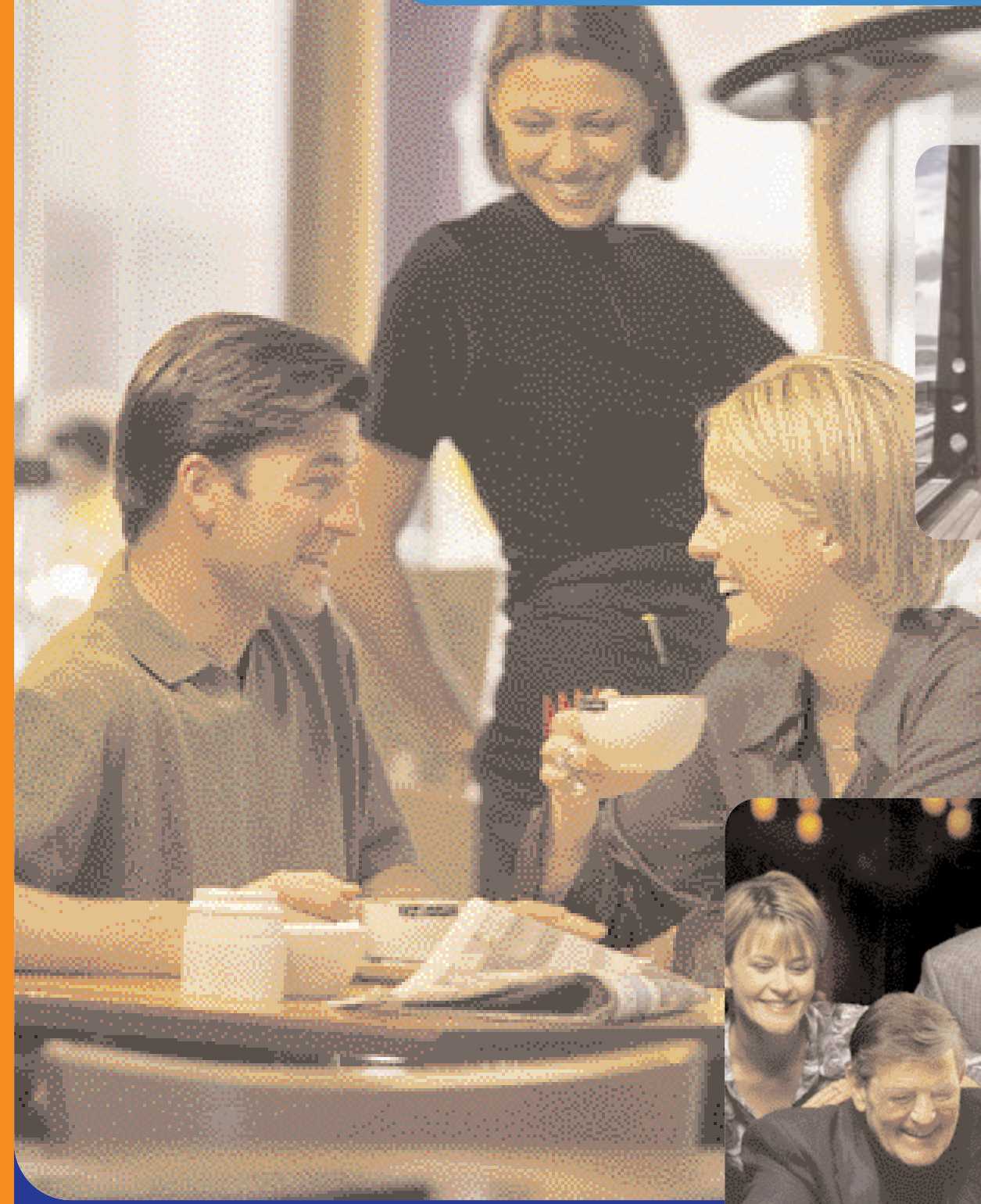


Entertainment

Sky City Limited 1999 Annual Report



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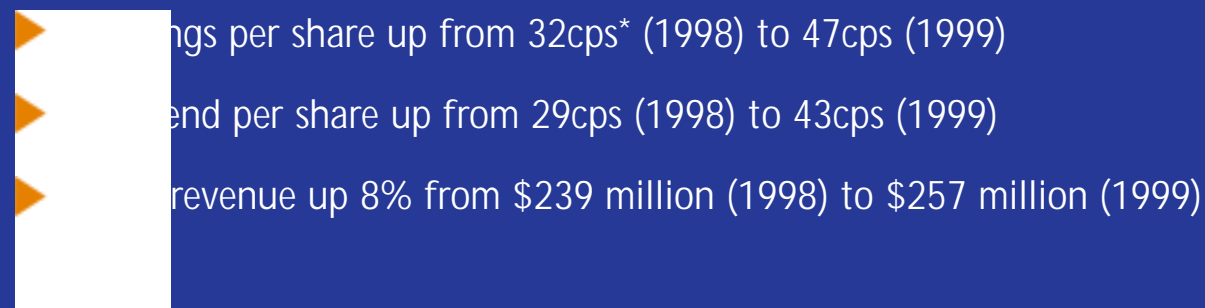
Sky City in 1999

- The best margin performer amongst Australasian casinos
- 90% dividend payout ratio maintained
- Exciting entertainment options
- A well-established brand profile representing fun and entertainment
- Vital contribution to economic development, employment and tourism in the Auckland region
- Significant contribution to, and role in, the Auckland community

Visit us at www.skycity.co.nz

Operational and financial highlights

\$45.6 million after-tax earnings

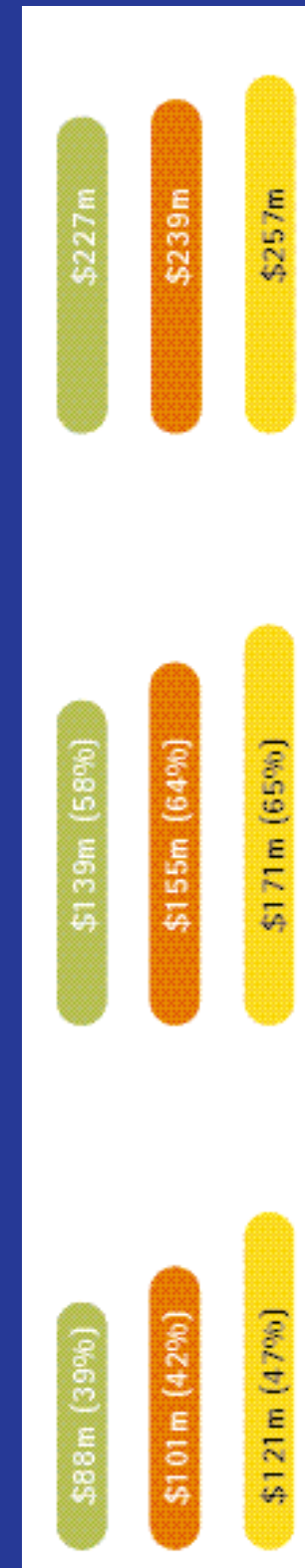


Highlights 1998/99

- Queenstown casino licence awarded
- Share buyback continued: 3.75 million shares acquired in calendar 1998 at an average of \$5.07 per share
- A very successful instalment receipts issue attracted 20,000 new shareholders in March 1999
- Sky City well established as the entertainment centre of Auckland
- An estimated 5.5 million visitors to the Sky City complex, of whom 650,000 were international visitors to New Zealand
- 100 new gaming machines in December 1998
- Restaurant mix enhanced
- Main floor refurbishment commenced
- Continuing involvement in the Auckland community through sponsorships and donations

* cents per share
1998 EPS before non-recurring items

Key elements of the result



Strategic focus

To improve the overall performance of the business through a combination of growth and cost control, by:

- providing a fun and entertaining environment for customers
- attracting new customers
- maintaining a focus on entertainment events and other initiatives as a stimulant to revenue performance, with immediate focus on the millennium year opportunities during the next 12 months
- maintaining a focus on cost management and margin performance across all sectors of the business
- seeking new opportunities within the gaming entertainment sector and positioning for alternative forms of gaming as appropriate
- developing a performance-oriented people culture
- contributing to and participating in the Auckland community and other communities in which we will be involved in the future

Chairman's report



Jon Hartley: Chairman of Sky City Ltd

- Shareholder value added through focus on results, share buyback, and dividends
- Investment in people, products, facilities, services
- 65% New Zealand shareholding
- Dual listed in New Zealand and Australia
- Rigorous corporate governance regime
- Inherent strength and resilience

1999 was a year of strong financial performance – a year in which we welcomed 20,000 new shareholders and the profile and visibility of the company was enhanced both in New Zealand and overseas.

A great deal has happened at Sky City since July 1998 when we became the operator as well as the owner of the Sky City complex in Auckland.

The management team, recruited and led by Evan Davies, responded to the challenge of taking full control of the Sky City operation with a record profit for the 1999 financial year. This was reflected in our earnings per share of 47.1 cents, up 46%, and dividend per share of 43 cents, up 48%.

The focus was strong revenue growth, especially in gaming, whilst maintaining good results in those parts of the business impacted by reduced tourism visitation.

Looking forward, we are well positioned to take advantage of the many opportunities that arise from the start of the new millennium and the major events centred on Auckland, including the America's Cup and the spill-over benefits of the Sydney Olympics.

I would like to comment on a few key events that occurred during the year as well as some other issues that impacted the company's performance.

Sell-down by the major shareholder

In January, Brierley Investments Limited (BIL) notified the company that it intended to sell its 66% shareholding in Sky City, by way of a public offer of instalment receipts.

The board and a number of senior personnel were closely involved in the structuring of the offer and the domestic and international marketing of what proved to be a very successful transaction for both BIL and Sky City. All costs incurred by Sky City in connection with the sell-down were reimbursed by BIL.

Following the sell-down, Sky City's register increased from 2,000 to 22,000 shareholders, of whom we estimate approximately 65% are New Zealand residents.

At the same time as the Sky City instalment receipts listed in New Zealand, Sky City's shares and instalment receipts were also listed in Australia. Our dual New Zealand Stock Exchange (NZSE) and Australian Stock Exchange (ASX) listings create a wider potential investor base for the shares, making the Sky City stock more visible and more attractive in both countries.

With its strong financial performance to date and its potential future opportunities, Sky City is positioned as a leading Australasian gaming stock.

Board of directors

During and since the BIL sell-down, we have maintained board continuity. Sky City's directors have developed a high level of knowledge and understanding of the company's existing business operations and of the requirements and opportunities of the New Zealand gaming and entertainment sector.

It is our intention to appoint two new directors as soon as the necessary Casino Control Authority (CCA) approvals have been obtained. This will ensure that we retain the expertise and experience of our existing directors but add fresh input to our boardroom debates and discussions.

I would like to thank my fellow directors for their contributions during 1999 and for their ongoing commitment to the development of the Sky City business.

Share buyback

Following announcement of our 1998 financial result, the company bought back a further 1.75 million shares, to make a total of 3.75 million shares purchased during the 1998 calendar year, at an average price of \$5.07. This confirms our commitment to shareholder value through the efficient use of our free cashflows. The reduced number of shares, as a consequence of the buyback, resulted in a 4% increase in earnings per share.

Since last November, when the buyback concluded, the price of Sky City shares has outperformed the NZSE 40 Gross Index, with the share price showing significant strength in response to the company's financial results and to the improved liquidity of the stock resulting from the increased shareholder base.

Sky City's people

In July last year we introduced to you a number of new management personnel. Since then our team has demonstrated its capability by producing an excellent financial result for shareholders.

Our 2,500 employees are committed to providing a quality experience at Sky City and many of our staff are now well-experienced in the gaming entertainment industry. Sky City people are continuously trained to provide the excellent customer service which is so essential to the success of our business. We are also strongly focused on a performance culture within the organisation, with the introduction of appropriate incentives for key staff at various levels of the business.

From 1 July 1999, over 550 Sky City personnel are incentivised under a performance bonus plan which is tied to the company's financial results. If the company's target performance is achieved, the eligible employees will receive a bonus paid 40% in cash and 60% in Sky City shares. As a consequence, participants are



motivated to deliver enhanced company performance and to become stakeholders in the future performance of the company's shares.

At this year's annual meeting, we are seeking shareholder approval to increase participation by senior executives in the shares of the company through an option plan which has been designed to reward value added to the company's share price in excess of the company's cost of equity capital. The cost of equity capital basis for determining the option pricing avoids the vagaries of a formula linked to a multi-company market index. Rather it relies on the return that is expected by Sky City equity holders. The directors are satisfied that the option plan is appropriately structured in the best interests of shareholders and that it is fair to the company. We therefore recommend the proposed executive option plan to shareholders.

Corporate governance

Sky City operates under a comprehensive regime of corporate governance protocols that are regularly monitored and compared with international standards. When measured against such benchmarks, we are confident that our governance procedures are at the forefront of best practice.

Within the business, we have developed a "Code of Business Practice" which sets out the standards and ethics expected of our people in their dealings with customers, suppliers, regulators and fellow employees. The board's Corporate Governance Committee monitors compliance with the Code of Business Practice.

The board's Audit Committee regularly monitors the internal control environment within the operation and ensures that Sky City's comprehensive risk management programme and business continuity planning is effective across all business units.

Our operational management maintains a co-operative relationship with the CCA, which is responsible for casino licensing in New Zealand, and with the Department of Internal Affairs' casino inspectorate, which supervises the operation of casinos on behalf of the CCA. Sky City has maintained an excellent record of regulatory and licence compliance since the complex was opened some three and a half years ago.

Year 2000

Sky City is confident it is Year 2000 (Y2K) ready. Until 1 January 2000 there remains a question mark over all computer systems and computer-controlled equipment, but all our significant applications, equipment and systems have been assessed, remedied where necessary, tested, and proven to be Y2K ready. Business continuity plans are in place and have been tried and tested for all core operations.

We have also assessed our reliance on external suppliers and vendors and are satisfied that our critical suppliers expect to be Y2K ready. We are very aware of our reliance on the providers of utility supplies such as gas, electricity, water, waste water, and telecommunications. Wherever possible, the potential risks associated with these essential external supplies have been mitigated by the implementation of contingency plans, with additional resources already in place or programmed to be in place at date-sensitive times over the next six months.

New opportunities

In December 1998, we were pleased to announce our participation in the consortium application for a casino premises licence in Hamilton. The licence hearings were concluded in August and a decision from the CCA is currently awaited.

In June we were pleased to report that a casino premises licence for Queenstown had been awarded. We expect to open in Queenstown with a 12 table, 70 machine casino early in 2001. Sky City will be a 60% owner of the Queenstown casino and will be the operator of the facility.

Looking forward

Looking forward, we see opportunities for Sky City to grow and to add value. The events scheduled for the 2000 financial year will provide an immediate opportunity for increased Sky City revenues and profits. The challenge for Sky City will be to build on these opportunities into the new millennium.

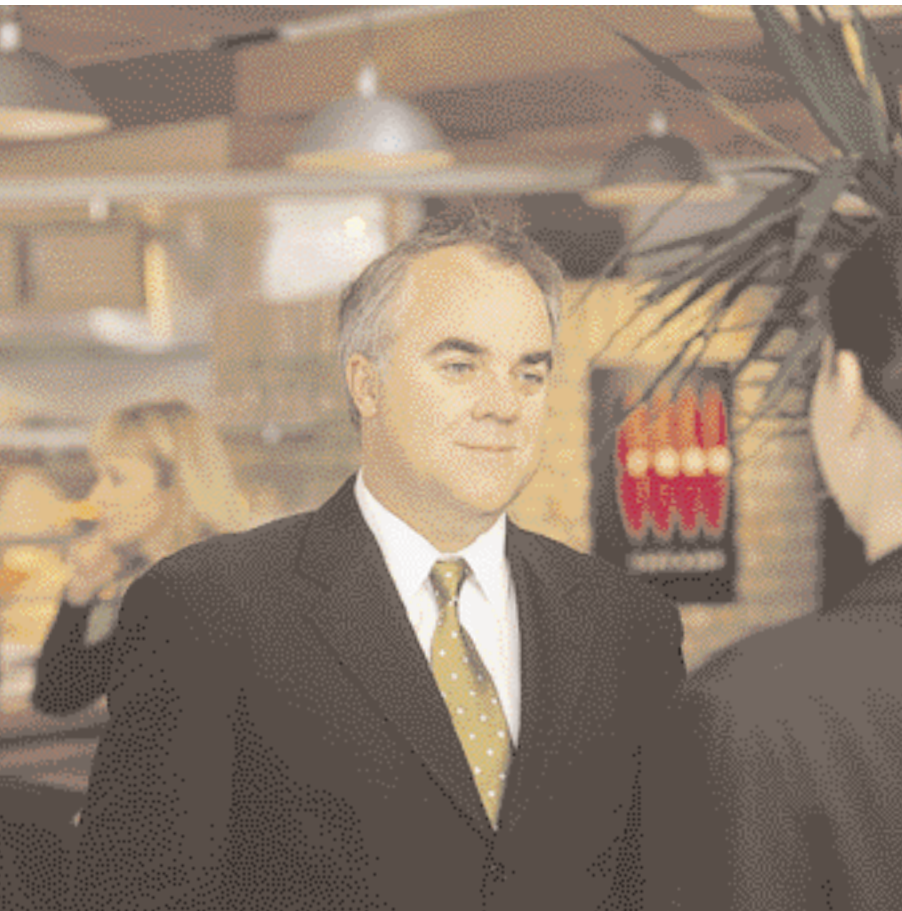
On reflection

Three and a half years after opening in February 1996, we reflect with real satisfaction on a sequence of strong financial results and significant distributions and value gains to our shareholders - a sequence we expect to continue into the future.

JON HARTLEY

Chairman

Managing Director's review



Evan Davies: Managing Director of Sky City Ltd

- 5.5 million visitors per annum
- Memorable and compelling experiences
- A strong brand representing fun and entertainment
- Performance culture
- 1999 result ahead of expectations
- Strong cash-based earnings
- Growth opportunities

Experiences have always been at the heart of the entertainment business. As New Zealand's most popular gaming and entertainment destination, we are in the business of creating and delivering engaging, memorable and compelling customer experiences.

To achieve compelling customer experiences we have to listen to our customers and deliver to their expectations...to keep them coming back.

It is this focus on customers and more particularly a continuous enhancement of experiences for our customers which is driving the ongoing improvements in our financial results.

The 1999 result in summary

Last year when we announced our result, we estimated 5% revenue growth and a potential net surplus in the order of \$40-\$41 million for the 1999 financial year.

Trends within the first six months of the 1999 financial year gave us the confidence, in February, to increase our net surplus estimate to \$43 million.

These trends continued through the second half of the year and we were delighted to confirm actual revenue growth for the year at 8% and net after-tax earnings at \$45.6 million, up 42% from the 1998 result.

Essentially, revenue growth came from our focus on making Sky City the most popular entertainment and events destination in Auckland. The increase in net surplus was a consequence of the increased revenues coupled with our continuing focus on cost management and margin enhancement across all sectors of the business.

The strong cash-based earnings performance underpins our (fully-imputed) 90% dividend payout policy, with 43 cents per share (and per instalment receipt) being paid to shareholders in respect of the 1999 year.

Prospects for 1999-2001

The 1999/2000 year provides significant opportunities for Sky City, with a sequence of key events throughout the next 12 months. We are confident we can again achieve or better a 5% revenue growth target for the current year, but see the 2000/2001 financial year as one of consolidation following what we expect to be a strong millennium year for Sky City.

New Zealand's most popular entertainment and leisure destination

Sky City is New Zealand's most visited attraction. More than 15,000 people come to Sky City's casinos, restaurants and entertainment spaces on average every day. Approximately 5.5 million people visited Sky City in the past year. Our busiest days see up to 25,000 customers on site.

Significantly, Sky City is the single most visited attraction for tourists to New Zealand, with around 650,000 international tourists making up 10% of all gaming customers, 50% of all hotel guests and 30% of all Sky Tower visitors.

People and experiences

Our people are one of our key strengths. We employ some 2,500 people, all of whom contribute to delivering a customer service experience that is professional, friendly and engaging.

We have strong standards of performance, design, quality and service. This year's business success is testament to the hard work, dedication and loyalty of our staff. They are committed to our aim of delivering enjoyable and memorable experiences to customers every time they visit Sky City.

Details of the 1999 result

The 1998/99 year was one of recovery from economic recession in New Zealand with partial recovery in tourist numbers after the negative impact of the Asian financial crisis. The highlights of our 1999 financial year included:

• Revenues and visitation

Total Sky City revenues grew 8% to \$257 million.

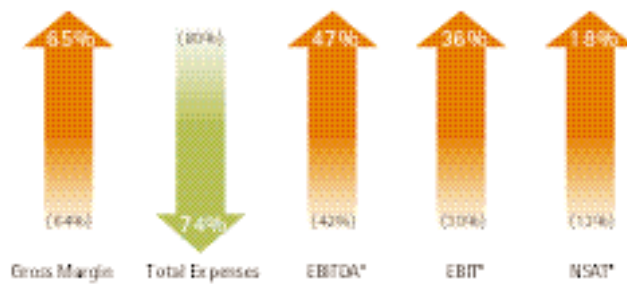
Gaming revenues contributed 80% of Sky City's total 1999 revenues. Average gaming revenue per day rose by 9% during the 1998/99 year, to \$650,000 (incl GST). Casino visitors, at just over 12,000 average a day, were steady compared to the previous year.

Revenues from Sky City Hotel and Sky Tower declined, which was not unexpected given domestic and international economic trends related to the Asian financial crisis - including reduced tourism numbers - but overall we were very pleased with the resilience of these business units.

Hotel occupancy was down marginally at 69% but this was a satisfactory result in a very competitive Auckland market, which has seen total room supply double in the last 24 months.

Sky Tower had 650,000 visitors during the 1999 financial year, in line with expectations.

The result in summary
Revenue growth, cost management, margin enhancement



Figures are expressed as a % of total revenue; prior year in brackets.
EBITDA: Earnings before interest, tax, depreciation and amortisation
EBIT: Earnings before interest and tax
NSAT: Net surplus after tax
 * Before non-recurring items

• **Margin performance and cost management**

Margins were up, with gross margin on gaming operations increasing from 68% to 70%, mainly reflecting a higher proportion of revenues coming from gaming machines. Sky City's overall gross margin from all sectors improved one percentage point to 65%.

Total expenses were reduced from 80% of total revenues to 74%.

• **Australasian comparisons**

To put our performance in an Australasian context, we can compare Sky City's EBITDA (earnings before interest, tax and depreciation) ratio with those of the big four casino operators in Australia. Sky City's EBITDA ratio for 1999 was 47%, up from 42% last year. The Australian operators range currently from a low of 11% to an expected top performer in 1999 of 25%. We can therefore fairly claim to be a leading performer in the Australasian casino sector.

• **Net earnings and distributions**

Earnings per share increased 46% to 47.1 cents, due to both the increased profit performance and the company's 1998 share buyback programme.

Strategies for moving forward

We view the future performance of Sky City with considerable confidence, based on opportunities that exist for gaming and entertainment in New Zealand and on the management and marketing strategies we have in place.

We have five principal strategies for moving forward:

• **Grow the brand**

Our aim is to drive growth across the business. We have succeeded in positioning Sky City as New Zealand's leading gaming and entertainment brand, built on engaging experiences, excellent customer service and quality products that are enjoyed by a broad range of New Zealanders and overseas visitors. We have an excellent base from which to build.

We see strong potential for attracting the interest and the leisure dollars of Aucklanders. Auckland is one of the fastest growing centres in the Asia-Pacific region. Almost a third of New Zealand's 3.8 million people live in greater Auckland and many more visit frequently for business or pleasure.

Sky City has the ability to attract larger numbers of people through its events, entertainment and dining choices, and from new gaming opportunities.

Over the past 12 months we have refined our mix of restaurants to meet customer preferences for variety and choice. This included the addition of Ming Court, a new Asian-themed restaurant, and Rebo, an informal restaurant, café and bar situated in the main atrium of the complex.

Sky City has developed its venue management and hosting relationships with a wide range of event organisers including Rally New Zealand, the World Cup of Golf and the New Zealand Tourism Industry Association. Sky City Theatre has hosted music concerts and high quality performances of comedy and drama. The possibilities for continuing to build the Sky City profile as a leading centre for entertainment and business events are many and varied.

• **Grow the gaming business**

Our second strategy is to develop growth in gaming. This will continue to be the core component of our profitability. We believe growth will be concentrated mainly in the New Zealand domestic market with a continuing focus on New Zealand customers who enjoy an entertaining day or night out.

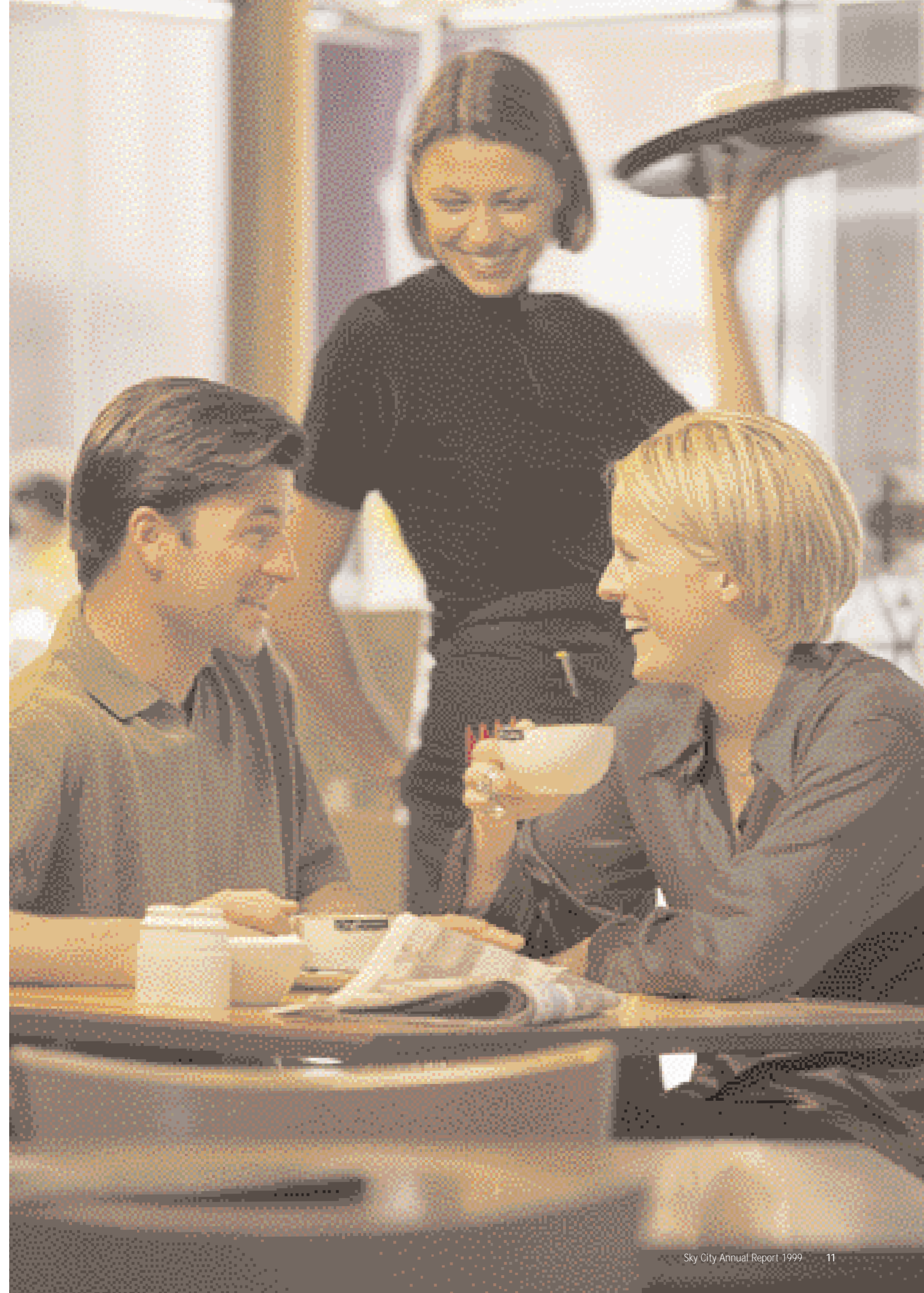
Gaming machines produce strong margin performance and a further 100 machines will be added later this calendar year, bringing Sky City's total to 1,320 machines. Growth in the number of gaming machines to date (100 new machines in December 1998) has not diminished the level of win per machine, which averaged \$346 per day during the 1999 year.

Most important of all for growth is our ongoing commitment to continuously improving and refreshing the Sky City experience for our customers. In 1999, this means refurbishing the main gaming floor and enhancing our customer loyalty programme. Other developments and events are planned. It is a matter of continuously building our profile and sustaining the "buzz" about what is happening at Sky City.

• **Capitalise on event opportunities**

Strategy three is to capitalise on upcoming Auckland events and the millennium celebrations. We have been very successful in positioning Sky City as a key facility for a number of the mega-events being hosted in Auckland. These include Rally New Zealand held in July this year, the APEC Summit, FIFA Under-17 World Football Championships, America's Cup and, of course, millennium night itself.

Most importantly, the events of 1999-2000 should be a launch pad for an even bigger future for Sky City. Our challenge is to keep the momentum going. And, as mentioned earlier, we have targeted revenue growth of at least 5% for the current financial year through to June 2000.



Coffee time at the new
Rebo café and bar



The new
Ming Court
Asian restaurant



- **Control costs and maintain performance efficiencies**

Our fourth strategy is about controlling costs - obviously critical in maintaining and building margins. Constraint on operating costs is all the more important in a business with a significant level of asset-related costs.

Sky City will continue to pursue efficiencies in operating and fixed costs across the complex and in each sector of the business.

- **Invest in new gaming opportunities**

Our fifth strategy is to grow through involvement in new casinos.

Sky City is investing in a boutique casino in Queenstown, with a 60% shareholding and the role of operator for a casino of 12 tables and 70 gaming machines.

Sky City is the owner of up to 55% in Riverside Casino Limited, the applicant for a casino premises licence for Hamilton. Hearings have been completed and we hope for a decision from the CCA shortly.

Economic development, employment and tourism

Along with the five broad strategies outlined above, we also maintain a focus on an issue outside our direct revenue and earnings growth objectives, but no less important. Casino licences are granted in the expectation that operators will contribute to economic development, employment and tourism in their locality. We take this role seriously.

In 1999, the Sky City operation contributed more than \$37 million to central and local body revenues. \$23 million was paid in company income tax; \$9 million in gaming tax; \$3 million to Auckland City for local body rates; and \$2 million to the CCA to cover the costs of casino regulation and supervision.

Corporate citizenship and community role

We seek to make our values of positive corporate performance and citizenship both visible and widely understood.

Sky City has a good working relationship with the CCA. We have built a reputation as an exemplary casino operator. We provide gaming and entertainment of a quality appreciated by customers and the Authority alike. This has proved to be entirely compatible with creating superior value for our shareholders.

Over \$1 million from the 1999 result has been distributed by the Sky City Community Trust to assist a variety of community and charitable organisations, mainly in the greater Auckland region. Included was a \$500,000 payment to the Government-endorsed Committee on Problem Gambling Management.

Sky City itself is extensively involved in marketing partnerships and community sponsorship programmes, from high-participation sports such as Auckland rugby, rugby league and netball, arts events such as the Sky City Starlight Symphony, to the New Zealand Special Olympics Foundation and many other community and fund-raising projects.

Continuing success

Sky City has now been open to the public for a little over twelve hundred days. We have re-invented ourselves once already in this time by taking over the operator contract from Harrah's and creating in the process a strong and visible brand in the New Zealand market. We have also established an energetic and capable organisation which has a detailed understanding of the gaming entertainment business in this country.

We anticipate continuation of strong performance trends into the current year and beyond, and continuing the enhancement of the value of the Sky City investment for our shareholders.

EVAN DAVIES
Managing Director

Responding to customer preferences



Look, listen, learn: the classic formula driving Sky City's ongoing improvement of products and services.

In three short years, Sky City has carved out a reputation as Auckland's first choice for fun and entertainment, consistently delivering memorable experiences to its customers.

Sky City's successful formula is simple: Look, listen, learn. Then deliver what customers want, packaged in experiences they will find unforgettable.

For example, customer feedback indicating a preference for "lighter and brighter" décor played a major part in Sky City's first extensive refurbishment of the main gaming floor this year.

The original dark blue and green carpet has been completely replaced with a pattern using warmer reds and oranges. Soon this will be supplemented with new lighting above the gaming floor, lighter paint colours around the walls, and a new look for all gaming tables and seats.

New lighting features have also been added to the northern and southern entrances, and a bigger bar and entertainment area has been built at the southern end.

Such an extensive refurbishment programme presented significant logistical challenges, as Sky City's General Manager Property Services, Steve Donaghy, explains:

"Our first priority when planning was to avoid disrupting our customers. With the main gaming floor open 24 hours a day, seven days a week, and with around 12,000 people walking across the floor every day, that wasn't easy.

"Closing the main gaming floor was not an option, so the work has been done in small stages, with the carpet, for example, taking several months to be replaced."

Kevin Riley, Sky City's Chief Operating Officer added, "It's a complex operation, but well worth the effort. The result will be superb and we will have an atmosphere that reflects the preferences expressed by our customers."

Customer demand also led to the installation of 100 new gaming machines in December 1998. A further 100 machines will be progressively added between the main gaming floor and Alto casino before the end of 1999.

Beyond the main gaming floor, the choice of dining experiences in Sky City has expanded with the addition of Ming Court restaurant and Rebo Café and Bar.

The 150-seat Ming Court was opened in January 1999 to provide customers with Asian cuisine throughout the day. Overlooking Sky City atrium on level one, it serves authentic Cantonese cuisine (including Yum Cha at lunchtime) in a mix of modern and traditional Chinese décor.

Steve Donaghy (middle) and Kevin Riley (right) discuss the Ming Court décor with Allan Simpson, a member of the Property Services team



Rebo Café and Bar was opened in November 1998 in the Sky City atrium to provide a cafe-style venue for people to meet and dine all day in relaxed and casual surroundings.

A Customer Satisfaction Monitor and Market Monitor, along with customer comment cards, enable Sky City to continuously refine and improve its product offerings and service standards to meet customer expectations. Examples this year include making video games available for children in Sky City Hotel rooms, and improving the Sky Tower experience through multi-lingual brochures and displays showing the Tower's construction stages.

Responsible hosting is an important part of creating outstanding experiences for customers.

What does it mean to be a responsible host? Even with around 15,000 people visiting the Sky City complex every day, the answer is surprisingly simple: make your guests feel welcome, put them at ease, and then deliver outstanding experiences.

In particular, it means ensuring that guests are able to enjoy themselves in a safe and relaxed environment, free from hassles or disruptions.

Sky City has in place a number of proactive staff training programmes to ensure this is maintained at all times. The CARE programme (Controlling Alcohol Risks Effectively) is attended by all Food & Beverage and Security staff, teaching them how to spot potential alcohol-related issues early, and how to deal with them discreetly and firmly.

"It's all about anticipating issues, and dealing with them before they have the chance to disrupt the enjoyment of our guests," says Lindsay Todd, General Manager Security and Surveillance.

This approach underpins other responsible hosting initiatives, including the Responsible Gaming



Lindsay Todd with Michelle Clarke, administrator of the self-barring programme

programme, which trains staff to deal with problem gambling issues.

An important part of this is "self-barring", which enables customers to address potential gambling problems by barring themselves from the gaming floors for two years, risking prosecution if they contravene the bar.

"Sometimes staff are required to enforce the rules. But most of the time, we're like any responsible host, we endeavour to anticipate problems and deal with them before they develop," says Lindsay Todd.

"We want our guests to relax and enjoy themselves. Staff friendliness and the appearance of the complex are just as important as the excitement of the gaming floor or shows in the Sky City Theatre in creating memorable experiences."

Evan Davies, Sky City Managing Director sums up, "Responsible hosting is something that all Sky City staff, no matter where they work in the complex, have a responsibility to provide."

Delivering fun and entertainment

Heather Shotter, General Manager Marketing, Sales, Communications and Entertainment



Getting people to visit Sky City is one thing. Giving them reasons to keep visiting is quite another.

That's the challenge Sky City faces as New Zealand's favourite entertainment venue. What new ideas will attract customers to Sky City, and keep the experience fresh and surprising for existing customers?

As Heather Shotter, Sky City's General Manager of Marketing, Sales, Communications and Entertainment explains, this search for new ideas is about understanding and anticipating what will excite our customers.

"It's an important part of our ongoing research into customer preferences. We are constantly testing new ideas with customers and potential customers, so by the time a new initiative is introduced, we are confident it will work."



Warming up for the Sky Tower Vertical Challenge

An example is the series of themed promotions introduced in 1999 to help grow visitation and broaden Sky City's appeal as a fun and entertaining place to visit.

It started in January with *Summer in the City*, a complex-wide promotion celebrating the fun of a Kiwi summer. Visitors were greeted with different interpretations of the summer theme throughout the complex.

Sometimes the themed promotions are designed around calendar events, such as *Asian Experience* in February, which coincided with Chinese New Year celebrations, filling Sky City with the colour and excitement of Asia.

Others are linked to specific events or competitions that Sky City supports, either as a host or major sponsor.

"Our research shows that themed promotions are very effective in raising Sky City's profile and attracting first-time visitors into the complex," says Heather Shotter.

In April, the *Sports Alive* promotion celebrated Sky City's successful sponsorship of Auckland Rugby, Auckland Netball and the Vodafone Warriors, the staging of the unique Sky Tower Vertical Challenge (a race in which competitors have to run up Sky Tower's 1041 stairs) and offered guests a variety of interactive sporting games around the complex, including deep-sea fishing and golf putting.

Special promotions and events not only boost visitation, they also help to raise Sky City's profile in the community.

Two special events this year propelled Sky City into the international spotlight. In October 1998, world-renowned bungee jumping pioneer, A.J. Hackett, leapt off Sky Tower and onto the television screens of an estimated four billion viewers worldwide in a world-record bungee jump from a fixed platform.

And in July 1999, Sky City was the official headquarters for Rally New Zealand, providing accommodation and 24-hour secretariat facilities for officials, teams and media, as well as hosting functions surrounding this globally popular event.

Throughout July, Sky City created a complex-wide *MotorSports* theme to coincide with the rally. Exciting displays, unique staff uniforms, and customer competitions were successful in attracting large numbers of visitors into the complex.

"It's all about creating fun and entertainment, and keeping the experience thrilling for our customers," concluded Heather Shotter.



Tommi Mäkinen racing to victory in Rally New Zealand

A diverse range of shows ensures Sky City Theatre is filled with fun and entertainment.

"It's been an exciting year," says Sky City's Entertainment Manager, Roberta Tills. "We've had something to appeal to theatre-goers of all tastes, from international comedians, to popular musicians and dance troupes, through to dramatic theatre."

Sky City Theatre has also provided a valuable addition to the range of conference and meeting facilities, and has proved its value in attracting visitors to the wider complex.

"Theatre-goers park in the complex and many enjoy a meal and a drink while they're here. The theatre plays an important part in attracting audiences to Sky City," Roberta says.

During April, Sky City Theatre hosted four different productions concurrently over the course of a week. The diverse programme, including *The Stylistics*; Irish comedian Ed Byrne, Michael

Parmenter's *'Jerusalem'* and singer Helen Reddy, proved extremely successful, drawing a total audience of more than 10,000 in that week alone.

"The Sky City Theatre fills a niche market in Auckland city," Roberta explains. "It's a mid-sized venue perfectly suited to a wide range of entertainers and international acts. With 700 seats, it sits perfectly between the 450-seat Maidment Theatre and the 2,250-seat Aotea Centre," she adds.

Among the many highlights of the year have been The Auckland Theatre Company productions

of *'Julius Caesar'* and *'The Wind in the Willows'*; popular entertainer John Rowles, who returned to the Sky City Theatre for the third time in June, and the televised shows *'Billy T Comedy Awards'*; *'This is Your Life: Dame Malvina Major'*; *'This is Your Life: Rob Guest'* and *'Give us a Clue'*.

"A memorable event was the teaming up of mother and daughter acting duo, Dame Kate Harcourt and Miranda Harcourt," continued Ms Tills. Their personal memoir, *'Flowers from My Mother's Garden'*, was a moving experience and painted a wonderful social history of New Zealand."

In April, the TV2 International Laugh Festival returned to Sky City bringing internationally acclaimed Irish comedian Ed Byrne into the theatre for five sell-out performances.

"Sky City Theatre now plays an integral role in our positioning as New Zealand's most popular entertainment destination," concluded Roberta Tills.



The cast of The Auckland Theatre Company's *'The Wind in the Willows'*

New management expertise

Strengthens
management team.



From left: Greg Hawkins (General Manager Gaming Machines), Mick Caban (General Manager Gaming, Sky City Group) and Peter Lawrence (General Manager Table Games, Player Development and VIP Services)

Like any young industry, casinos in New Zealand are still developing local expertise and experience.

It means that to fill positions requiring senior gaming experience, Sky City must sometimes look overseas to find the right people, as it did last year when the company reached a major milestone in its history.

On 1 July 1998, Sky City became a fully New Zealand-managed operation, putting in place a senior casino management team recruited from some of Australia's leading casinos.

A member of that team is Peter Lawrence, General Manager Table Games, Player Development & VIP Services, who has 18 years experience in casinos around the world, including the United Kingdom, the Bahamas and, most recently, Australia. Peter joined Sky City in May 1998 from Crown Casino in Melbourne, where he was Vice President Mahogany Room Operations.

"There are similarities between Australia and New Zealand, particularly in the style and presentation of casinos, so we can use our Australian experience to good effect on this side of the Tasman.

"At the same time, there are features that make the New Zealand market unique, so it's a matter of continually refining and adapting ideas to suit local conditions."

One major difference is that Sky City does not rely on 'high roller' inbound visitors.

"International premium players make up only a relatively small percentage of Sky City's customer base, whereas a number of the major Australian casinos generate more than half their table gaming revenue from inbound premium visitors", explains Peter Lawrence.

"This has given Sky City resilience in the face of economic downturn overseas. Unlike many Australian casinos, Sky City is largely immune to the "boom and bust" fluctuations that tend to characterise the inbound market."

It's a sentiment echoed by Mick Caban, General Manager Gaming, Sky City Group, who also joined Sky City from Melbourne's Crown Casino, bringing with him more than 25 years of international gaming experience. Mick has overall responsibility for the development of gaming operations and activities for the Sky City Group.

"Keeping a tight focus on a well-defined market enables us to build up an excellent understanding of what that market wants.

"We can then continually refine the gaming mix to meet our customers' expectations," Mick Caban says.

As already mentioned, an example is Sky City's recent shift in balance between gaming tables and gaming machines, initiated in response to customer demand.

"We added 100 machines in December 1998, and a further 100 will be installed between the main gaming floor and Alto casino,

bringing the total to 1,320 machines", explains Greg Hawkins, who brought nine years experience in the Australian casino industry with him when he joined Sky City in September 1998.

As General Manager of Gaming Machines, Greg Hawkins has responsibility for all gaming machine activities, Gold Card operations and Gaming Food & Beverage.

He completes the casino general management team recruited from Australia to help ensure Sky City's smooth transition to a fully New Zealand-managed casino operation.

Combining international gaming experience with a sharp local focus, Sky City's casino operations are poised for strong performances into the future.

Strong performances in the face of tough conditions characterise Sky City's innovative approach.



Jan Hunt,
General
Manager
Hotel and
Sky Tower

A sluggish tourism sector during 1998/99 challenged Sky City Hotel and Sky Tower, but they have successfully responded by securing new opportunities.

Sky City Hotel is developing relationships in China to take advantage of New Zealand's newly granted preferred visa status with that country. Hotel and Sky Tower General Manager, Jan Hunt, says preferred visa status is rare. Jan believes high volumes of visitors should result, particularly as Sky City is unique in being able to offer a combination of accommodation, entertainment and gaming facilities.

"We're also maintaining our existing relationships in other parts of Asia, so we should be well placed to benefit

as the region regains its economic momentum.

"Our continued focus on the high value corporate market is also paying dividends, with a number of major New Zealand companies using Sky City as their preferred choice of accommodation in Auckland." Jan says.

Jan joined Sky City in February 1999 from the Millennium Hotel in Queenstown, bringing with her extensive hotel management experience in New Zealand and overseas.

Other Sky City attractions are also taking proactive approaches. The Conference Centre is busier than ever, and continues to focus on innovative ways of raising the average spend on events. One key strategy is to target the rapidly growing international incentive market, in which companies reward their hard-working employees and loyal customers.

Sky Tower continues to raise awareness and to create extensive media coverage through a programme of high-profile events. These have included the Vertical Challenge, spectacular lighting displays, and television events such as A.J. Hackett's world record bungee jump and Australia's 'Who Dares Wins'.

In spite of fierce competition for the tourism and leisure dollar, innovative approaches right across the complex are ensuring Sky City maintains its strong performance.

Maximising millennium events

Sarah Hillman, Business Development
Manager for Millennium Events



By identifying opportunities early, Sky City has taken a leadership role in upcoming

Over the next six months, a large number of international and domestic visitors will descend on Auckland for the series of major sporting, governmental and millennium events which the city is hosting.

Sky City recognised early the extraordinary opportunities presented by these events, and set about developing a detailed strategy for maximising its involvement.

"Getting involved early was absolutely critical," says Sky City's Business Development Manager for Millennium Events, Sarah Hillman.

"We looked at opportunities across the board, and established relationships with event organisers at a very early stage. By talking to key people before their planning was completed, we were able to discuss ideas for maximising the use of Sky City facilities, benefiting both the organisers and ourselves," explained Sarah Hillman.

During the APEC Summit in September this year, Sky City was the main supplier of accommodation and facilities for the international media contingent, including the White House media delegation. US President Bill Clinton's media entourage was based at Sky City for the duration of the conference.

The majority of the 160-strong White House group crammed onto workstations set up in the converted Sky City Ballroom to file their stories, while the main TV networks (NBC, CNN, ABC, Fox and CBS) filled other Sky City meeting rooms.

The White House group brought with them 50 tonnes of equipment and required a 24-hour-a-day service from Sky City staff. They also required the installation of hundreds of new

telephone lines, cable-laying, and installation of sophisticated telecommunications equipment.

Sky City will also host FIFA officials attending the Under-17 World Football Championships in November 1999, acting as the worldwide centre for FIFA operations during the football tournament, and benefiting from around 1,600 room nights in Sky City Hotel.

Managing Director Evan Davies says Sky City's proactive involvement in these events is a good example of the leadership role Sky City always aims to play in Auckland business development.

"I'm delighted we've taken the initiative to secure innovative business opportunities that will help showcase Auckland and New Zealand to the rest of the world."

Evan Davies also points to the central role played by Sky City in developing the "Fire in the Sky 2000" concept, a light and fireworks display planned for millennium night in Auckland. Organised by a group of local authorities and organisations, spearheaded by Sky City, this globally televised 12-minute fireworks and lighting extravaganza will be the first and potentially most dramatic of many such displays around the world.



Wynton Rufer, Beatrice Faumuina, Sean Fitzpatrick, Steve Sumner and New Zealand U-17 captain Jeremy Christie at the FIFA U-17 World Championship draw at Sky City.

Some very famous names, and their superyachts, will be in Auckland for the America's Cup and the Millennium Cup.

Warren Bias, executive chef at Sky City, is no stranger to catering for the rich and famous, and just as well. During the America's Cup, he will get the opportunity to cater at a very special gathering on Kawau Island.

Over the course of two days, an extraordinary flotilla of around 60 superyachts will race to Kawau Island and back in the Millennium Cup – the largest superyacht race ever staged.

Some famous names will be participating, including Jim Clark of Netscape and Paul Allen of Microsoft.

At Kawau Island the multi-million dollar yachts will anchor overnight as the owners, their guests and other VIPs attend a dinner in the grounds of historic Mansion House.

Sky City, also a major sponsor of the event, is providing the catering. Warren says the dinner is one of the most complex logistical challenges he's faced. Between 1,000 and 1,200 guests are expected, and there are no facilities on the island that can be used.

"Everything will have to be taken on – and off – the island. More than two tonnes of food, generators, kitchen facilities, luxury toilets, marquees, even water, will all have to be shipped in."

Sky City is fast developing a reputation for handling out-catering at challenging events and venues. Warren has already handled a cocktail event for 800 people at St. Matthew-in-the-city church, and hospitality marquees for 1,400 people at the Sky City Starlight Symphony 1999.

These out-catering initiatives have created a potential new revenue stream for Sky City, and the Millennium Cup is an ideal opportunity to really demonstrate Sky City's capabilities.

"The race and the dinner will provide a wonderful showcase for New Zealand food and wine, and a unique opportunity for Sky City to develop relationships with an influential audience."



Extending the business

An active role in Queenstown Casino gives Sky City a stake in New Zealand's most popular tourist destination.



Bryce Morrin, Manager Development, concentrating on the architect's plan for the new casino

Through a joint venture partnership with local company, Skyline Enterprises, Sky City will be actively involved in establishing the Queenstown Casino, which was granted a casino premises licence in June 1999, and is expected to open in early 2001.

The joint venture partnership (with Sky City holding 60% and Skyline holding 40%) brings together two of New Zealand's most experienced tourism and leisure companies. Sky City will be the operator of Queenstown Casino, and will have full responsibility for all aspects of gaming, sales and marketing, security and surveillance.

Skyline is a major shareholder and the original developer of the Christchurch Casino, and brings a wealth of local expertise from various tourism and entertainment ventures in the Queenstown region, including the famous Skyline gondola and restaurant complex on Bob's Peak.

Barry Thomas, Chairman of Skyline Enterprises and director of Queenstown Casino Limited, believes the new casino will provide a much needed dimension to Queenstown's entertainment mix.

"Queenstown is superbly equipped for younger visitors, but in the past hasn't really catered well to those expecting a more sophisticated choice of entertainment, particularly after dark.

"Queenstown Casino will provide that choice, and at the same time generate around 150 jobs for the local economy," Barry enthused.

The new casino will be located on the top floor of a new three-level development in the heart of Queenstown's commercial and tourist precinct. Designed by award-winning local architect Michael Wyatt, the new building will contain a variety of retail shops on its first two levels, with a sweeping staircase leading up to the casino above.

The casino's interior is being designed by Architecture Warren & Mahoney of Christchurch, using local schist stone and wood to reflect elements of the surrounding alpine environment and the region's gold-mining history.

"We are aiming to create the feel and ambience of an exclusive mountain lodge," says Bryce Morrin,

Sky City's Development Manager, who has been closely involved in the joint venture negotiations and licence application for Queenstown Casino over the past three years.

"It will be a 'boutique' casino, with around 12 gaming tables and 70 gaming machines, plus a brasserie-style restaurant and bar.

"Right from the start, we have taken great care to ensure the new casino remains in keeping with Queenstown's unique character and style," Bryce added.

It's a point echoed by local man Barry Thomas.

"Skyline Enterprises has been active in Queenstown for 30-odd years, and we have witnessed first-hand the town's development into a world-class tourist destination," he says.

"But, despite the expansion over the years, Queenstown has never lost its original village charm. It's difficult to describe, but anyone who has visited here will know what I mean.

"We are determined to ensure the new casino is sensitive to that unique character."

Additional opportunity for Sky City in proposed Hamilton casino.

An opportunity exists for Sky City to further expand its operations beyond the Auckland region through its involvement in the proposed Riverside Casino in central Hamilton.

Sky City is a joint venture partner in the project with Hamilton-based interests and would also be the operator for the proposed casino.

The Riverside casino has been planned to include 20 gaming tables, around 300 gaming machines, a buffet restaurant, two bars and an entertainment lounge.

It will form part of the proposed Riverside complex, a multi-faceted leisure and entertainment centre comprising retail stores, serviced luxury apartments and a basement carpark for 340 cars.

The Riverside complex will stand on the banks of the Waikato River behind Hamilton's former Chief Post Office on Victoria Street, which will be fully restored to form the main entrance of the proposed complex.

If Riverside's application for a casino premises licence is successful, the casino is expected to open in early 2001.

Part of the community

Sky City's involvement in the Special Olympics Foundation helps bring international acclaim to intellectually disabled athletes.

Special Olympians
(from left) Susan McCrae, Robert Glenn, Jill Horley, Darlene Crane and Peter Mowday celebrate their medal achievements



The New Zealand Special Olympics Foundation, one of Sky City's longest-running sponsorships, encourages the intellectually disabled to participate in a wide range of sporting activities at regional, national and international levels.

This year, Special Olympians representing New Zealand won 26 gold, 25 silver and 17 bronze medals at the 1999 World Special Olympics Summer Games in the United States.

"Sky City and Sky City volunteers have ensured that this has been an outstandingly successful year for Special Olympics New Zealand," says Robin Sheffield, Deputy Chairman of the New Zealand Special Olympics Foundation.

Entering its fourth year as a major sponsor, Sky City has committed \$1 million to the Foundation over a four-year period,

as well as providing strategic and management expertise, and encouraging Sky City staff to become actively involved as volunteers.

"When our special Olympians want to go to training they are dependent on volunteers to get them there," says Robin Sheffield.

"Sky City has excelled itself. Its support is not just about giving money. It's an integrated relationship – a partnership."

Before the athletes' departure for the World Special Olympics Summer Games in June, Sky City hosted an emotionally-charged farewell dinner with inspirational speeches from sporting greats Jonah Lomu and Sir Brian Lochore, and entertainment from Tina Cross.

At Special Olympics Ribbon Days, volunteers help with ribbon presentations, recording times, announcing race events and cheering athletes on. An Auckland Provincial Ribbon Day was held earlier this year. With the assistance of a large contingent of Sky City volunteers, 100 special athletes from around the Auckland area attempted to better personal bests and break Special Olympics' records.

The Special Olympians who went on to represent New Zealand at the World Summer Games broke 96 personal best records as well as winning their impressive tally of medals.

"Sky City staff continue to impress by providing fantastic assistance to ensure Special Olympics Ribbon Days are successful," says Robin Sheffield.



Sky City staff volunteers make their contribution to Special Olympics Ribbon Days.

Sky City
Cheerleaders
supporting the
Bledisloe Cup game
on 24 July 1999



Joeli Vidiri and Elliot Scholes, a patient of Starship Children's Hospital, practice their teaming up to raise funds at the Sky City Starlight Symphony

For Sky City volunteers, supporting Ribbon Days is equally rewarding. "For me the joy, determination and spirit that surrounds the entire event is infectious," says Sky City volunteer Georgie Morrow.

Evan Davies, Managing Director of Sky City, believes the Special Olympics support is a good example of Sky City's "active contribution to Auckland and national life through its support of sporting, entertainment and cultural activities."

Other major Sky City sponsorships include: the Starship Children's Hospital; the Sky City Starlight Symphony; St. Matthew-in-the-city church; the New Zealand Sports Foundation; the Vodafone Warriors; the Auckland Blues and Auckland 'A' rugby teams; the Sky City Cheer Team; and Auckland's senior women's netball team in the Coca Cola Cup, the Sky City Diamonds.



Erasing the marks of the past thanks to the Sky City Community Trust.

"Believe it or not, giving away other people's money is hard work," says Sky City Community Trust Chairperson and former Governor General and Mayor of Auckland City, Dame Cath Tizard.

"From a long list of applications for funding support we look for projects which will make a positive contribution to the wider community and are constantly on the lookout for projects that can make a real difference to people's lives".

"A striking example is the \$125,000 that enabled the Mangere Community Health Trust to buy a tattoo

removal machine," Dame Cath says. "In awarding this grant we aimed to give people a fresh start in life."

Unwanted tattoos or other body marks, can have a very negative impact on self-esteem and often prevent people from finding a job or getting a promotion.

Many of the people visiting the Mangere Community Health Centre have had tattoos since they were in their teens. Now they want them removed to promote a better self-image, a better image to their families and friends, or to help find a job.

The high-tech VAG laser machine has enabled the Mangere Community Health Trust to respond to a high level of demand for a low cost tattoo removal service. When the machine was installed last November, there were already over 2,000 people on its waiting list.

Michael Lamont of the Mangere Community Health Trust says the laser machine is making a tangible difference to people's lives. "Free tattoo removal is helping people who can't afford dermatologist fees to have a tattoo removed. It's a real joy to see people who are keen to start afresh given the opportunity," Michael says.

Members of the Sky City Community Trust are thrilled with the positive impact the machine has already had on the lives of hundreds of people.

The Trust was established in 1996 and has distributed nearly \$2 million to more than 120 projects covering community services, facilities, welfare and support, employment action, cultural programmes, education initiatives, rescue and emergency services, and the arts. The Trust is funded by a yearly contribution equal to 2.5% of the annual net profit from Sky City's Auckland operations.



Tattoo removal in action - the laser erases the marks of the past

Recipients of Sky City Community Trust grants in the 1999 Year are:

- Arts for Health Community Trust
- Auckland Institute of Technology (for tourism research)
- Auckland People's Centre
- Auckland Rescue Helicopter Trust
- Auckland Secondary Schools Heads Association (for youth sport)
- Auckland Theatre Company
- Balmoral School
- Beneficiaries Advocacy and Information Service
- Books in Prison Trust
- Bruce McLaren Trust
- Cancer Patients Foundation Trust
- Cancer Society: Auckland Division
- Committee on Problem Gambling Management
- Communicare - Avondale Day Centre
- Eden Garden Society
- Fourth Field Artillery Regiment Association
- Free Language Corners
- Hilton Brown Swim School
- Kiwanis Club of Mt Roskill
- Kosovo Refugee Association
- Manukau Institute of Technology: Catering, Hospitality and Tourism School
- Marine Education and Recreation Centre
- Meadowbank Community Centre
- Motor Neurone Disease Association
- Motutapu Island Restoration Trust
- Mt Maunganui Lifeguard Service
- Myers Kindergarten
- Ngaruawahia Youth Development Trust
- North Shore Budget Service
- Pa Wars Waima 2000
- Pakuranga Heights Primary School
- Panmure Lagoon Sailing Club
- Royal New Zealand Plunket Society Mangere Branch
- Shakespeare Alive
- Shakti Asian Women Support Group
- Sisters of Mercy Auckland Charities
- Te Iwi O Ngatikahu Trust
- Te Utuhina Manaakitanga Trust
- Te Whanau Awhina Restorative Justice Programme
- Te Whare Marama O Mangere Women's Refuge
- Te Whare Tu Taua Mau Taiaha o Aotearoa
- Unitec Graduate Dance Company
- Waipareira House Trust
- Workforce Auckland
- Young Friends of Opera New Zealand
- Youth Skills New Zealand

Board of directors

The Sky City board formally met 11 times during the 1999 year to deal with Sky City business. Various directors of the company also met on a number of occasions during the January-March period to deal with Sky City's involvement in the sell-down by Brierley Investments Limited (BIL) of its majority shareholding in Sky City Limited.

Jon Hartley was Chairman of Sky City until 22 February 1999 but stepped down as chairman upon the announcement of the sell-down by BIL, and Sir Peter Elworthy became chairman of the company at that time. On 28 May 1999, Jon Hartley was re-elected chairman. Sir Peter continues as a non-executive director.

The board is in the process of appointing two new directors but these appointments will be subject to Casino Control Authority approval, as is required by the Casino Control Act.

The number of board meetings attended by the directors during the year (including the meetings held to deal with the BIL sell-down), with the number of meetings held while each director was in office shown in brackets, were: J P Hartley 10 (11), E W Davies 11 (11), P H Elworthy 10 (11), J A Hood 9 (10), P L Reddy 8 (11), E Toime 10 (11), W G Ward-Holmes 11 (11). J A Hood was appointed a director on 24 August 1998. There were no other appointments or resignations during the 1999 financial year.



Jon Hartley - Chairman

Jon Hartley is a consultant and company director. He is currently Chief Executive Officer of Solid Energy New Zealand Limited. He was appointed a director and Chairman of Sky City Limited in February 1996. During the instalment receipt programme, he stepped down as chairman and was then re-elected on 28 May 1999.



Sir Peter Elworthy

Sir Peter Elworthy has been a Sky City director since 1992. He is also a director of New Zealand Rural Property Trust Limited, Pacific Beef Limited, Trans Tasman Properties Limited and a number of private companies. He is Chairman of the Primary Industry Consultants Board and the Alan Duff Foundation, a trustee of the New Zealand Institute of Economic Research, the Link Foundation, and the Lincoln University Foundation.



Elmar Toime

Elmar Toime is Chief Executive Officer of New Zealand Post Limited. He is a director of Norwich Union Holdings (NZ) Limited, Datacom Group Limited and the New Zealand Symphony Orchestra. He has been a Sky City director since February 1996.



Evan Davies - Managing Director

Evan Davies has been Managing Director of Sky City Limited since February 1996 and was responsible for Sky City's licensing and construction from December 1991. He is also a trustee of Tourism Auckland and the Melanesian Mission Trust, and Chairman of the Tourism Industry Association of New Zealand.



John Hood

John Hood was appointed a Sky City director in August 1998. Dr Hood is Vice-Chancellor of the University of Auckland. He previously held a range of leadership positions in Fletcher Challenge Limited, most recently as Chief Executive of Fletcher Challenge Paper. He is Chairman of The America's Cup Task Force and a member of the Prime Minister's Enterprise Council.



Waari Ward-Holmes

Waari Ward-Holmes is Chief Executive Officer of MDC Investment Holdings Limited, a director of ASB Bank Limited, Moana Pacific Fisheries Limited, Farmers Deka Limited and a number of private companies. He is also a trustee of the ASB Community Trust. Mr Ward-Holmes has been a Sky City director since 1992.



Patsy Reddy

Patsy Reddy has been a Sky City director since 1994. She is also a director of Telecom Corporation of New Zealand Limited and Air New Zealand Limited. She is a trustee of the Sky City Community Trust, the Victoria University of Wellington Foundation and the New Zealand Symphony Orchestra Foundation.



Alistair Ryan - Company Secretary

Alistair Ryan has been Sky City's company secretary since 1995. He is responsible for the corporate and treasury functions at Sky City and is also secretary of the Sky City Community Trust.

Corporate governance

Corporate governance at Sky City encompasses the company's decision-making structures and the mechanisms used to manage the organisation

The board of Sky City has a comprehensive set of corporate governance practices and procedures in place to ensure that these responsibilities are met.

Role of the Board

Sky City's board of directors is responsible for supervising the management of the company. The board establishes the company's objectives, the major strategies for achieving these objectives, 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 must also ensure that the company's assets and resources are maintained under effective stewardship, that decision-making authorities within the organisation are clearly-defined, that the social and business obligations of the company are met, that the letter and intent of New Zealand company and casino law is complied with, and that the company is well-managed for the benefit of its shareholders.

The board currently comprises seven directors, including a non-executive chairman, an executive director and five non-executive directors. Details of directors in office at 30 June 1999 are set out on pages 28, 29 of this Annual Report. Procedures for the operation of the board, including the appointment and removal of directors, are governed by the company's constitution.

The board normally meets nine times per annum to consider strategic issues and review company performance. Due to the requirements of the BIL sell-down, 11 board meetings were held during the 1999 year.

Code of business practice

The board and management of Sky City have developed a Code of Business Practice which sets out the standards of behaviour expected of Sky City people when carrying out their job responsibilities. The Code refers to behavioural requirements under the following headings: compliance with laws and regulations; honesty and fairness; human rights; health and safety; privacy and confidentiality; insider trading; conflicts of interest; bribes and favours; competition; promotion and advertising; community contributions; problem gambling; and the service of alcohol.

Audit Committee

The board's Audit Committee, which formally meets four times a year, sets and monitors the company's accounting and reporting practices and its internal control and risk management environments. The Audit Committee is chaired by Waari Ward-Holmes.

Corporate Governance Committee

The board's Corporate Governance committee, which formally meets twice a year, monitors board membership and effectiveness, senior executive performance and remuneration, the ethics of the organisation, protection of the company's casino licences, statutory and regulatory compliance, and the identification of and planning for emerging issues. The company has a formal code of conduct governing the purchase of Sky City securities by directors and executive personnel, and a prohibition on gaming by Sky City staff and directors on the company's premises. Compliance with the Codes for Securities Transactions and Business Practice is overseen by the Corporate Governance Committee. The Corporate Governance Committee is chaired by Jon Hartley.

Governance charters and policies

Each of the Audit and Corporate Governance committees operates under a charter which is reviewed and updated each year.

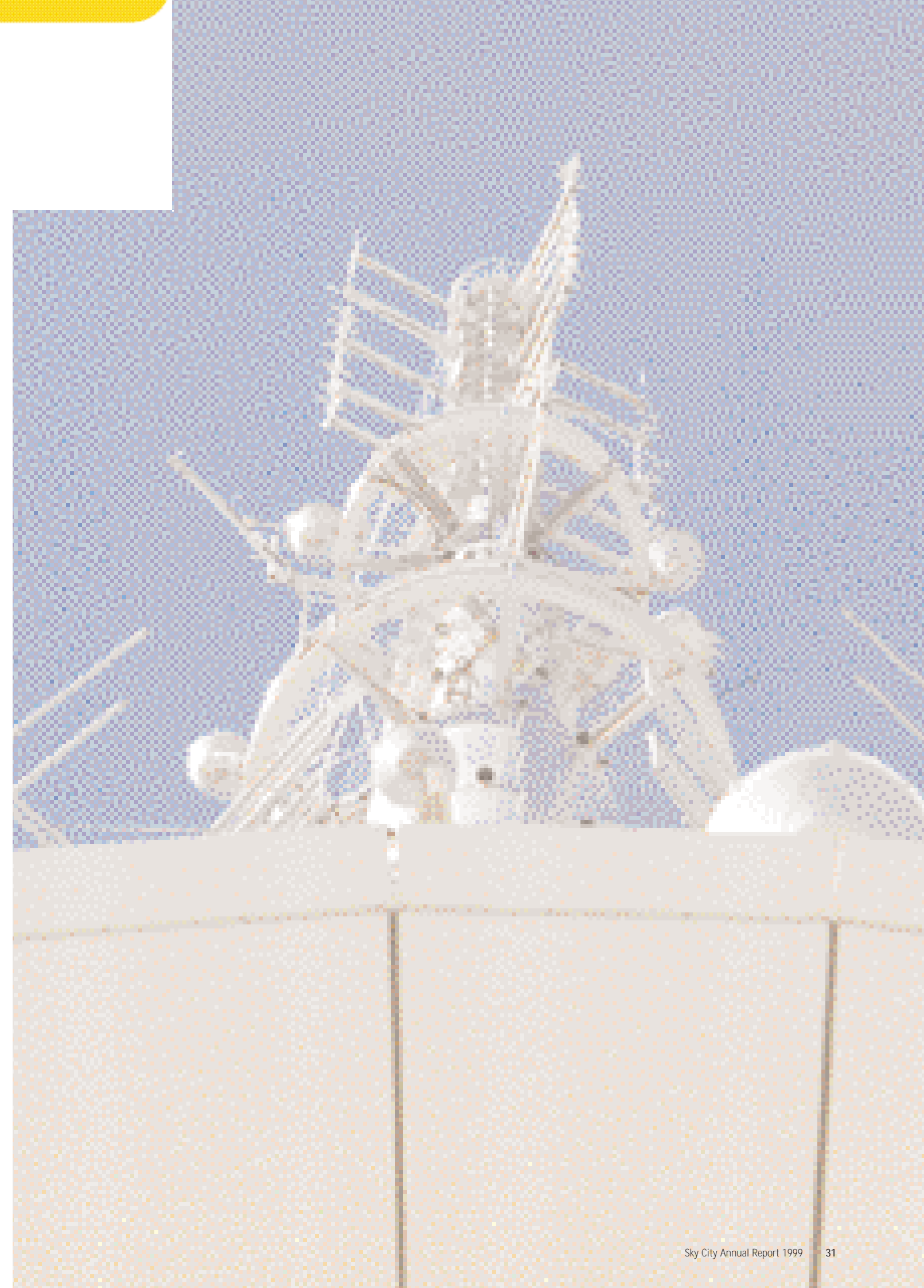
The board itself operates under detailed terms of reference which set out the duties and responsibilities of directors.

The board delegates authority to management for decision-making under a comprehensive delegated authorities policy which is formally reviewed on a regular basis. A separate treasury policy covers treasury dealings, most of which relate to hedging interest rate risk associated with the company's term borrowings.

Independent professional advice

Directors are entitled to seek independent professional advice at any time on any aspect of their duties and responsibilities, at the company's expense.

The myriad of radio transmitters installed on Sky Tower's pinnacle.



Ready for Year 2000

After nearly three years of assessment and testing, Sky City is pleased to confirm its readiness for the Year 2000.

Sky City has made substantial progress towards ensuring Year 2000 (Y2K) readiness for its information systems (IS) environment, and its wide range of software-dependent business systems, equipment and processes.

All significant applications, equipment and systems have been assessed, remedied where necessary, tested, and proven to be Y2K ready. Business continuity plans have been developed and trialled for all core operations.

Y2K expertise

Sky City's Y2K project began in 1996 and has been managed by a nominated project team since mid-1997 with much of the assessment, remediation and testing works having been completed by Sky City staff familiar with both the functionality and operational requirements of the company's IS applications and technology-based equipment and systems. To ensure that the project schedule was maintained throughout, suitably skilled contractors were seconded to the project on an as-required basis to augment in-house resources.

Independent review

While the Y2K project has been managed internally, Azimuth Consulting Limited has been engaged to independently review progress of the Y2K project. Azimuth reported to the project team and to the Sky City board, and has concluded that Sky City is well placed to achieve its Y2K objectives.

Contingency planning

All Sky City's core IS applications, equipment and systems are assessed as Y2K ready and are supported by contingency plans which will provide the ability to work around any unforeseen risks.

Third party suppliers

The company has also assessed its reliance on third party suppliers and vendors, and has been advised that its critical suppliers are expected to be Y2K ready. Wherever possible, the potential Y2K risks associated with essential external supplies of gas, electricity, water, waste water and telecommunications utilities have been mitigated by the implementation of Y2K contingency plans, additional resources for which are already in place or have been programmed to be in place at date-sensitive times over the next six months.

Maintaining Y2K readiness

The remaining challenge to Sky City's Y2K readiness is to maintain a watching brief over changes, either within the company or the broader business environment in which Sky City operates, which might compromise the company's current Y2K readiness. Tight controls have been implemented over hardware, software, systems and equipment changes prior to 1 March 2000, and there is ongoing communication with staff to ensure they take responsibility for the continued readiness of their respective business units and with critical suppliers, vendors and utility providers upon whom Sky City is reliant.



David Glen, Manager Business Risk, outlines Sky City's preparations for the Year 2000

Financial statements and statutory information

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AUDITORS' REPORT TO THE SHAREHOLDERS OF SKY CITY LIMITED

We have audited the financial statements on pages 35 to 56. The financial statements provide information about the past financial performance and cash flows of the company and group for the year ended 30 June 1999 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 40 to 43.

Directors' Responsibilities

The company's directors are responsible for the preparation and presentation of financial statements which give a true and fair view of the financial position of the company and group as at 30 June 1999 and their financial performance and cash flows for the year ended on that date.

Auditors' Responsibilities

We are responsible for expressing an independent opinion on the financial statements presented by the directors and reporting our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- (a) the significant estimates and judgements made by the directors in the preparation of the financial statements; and
- (b) whether the accounting policies used and described on pages 40 to 43 are appropriate to the circumstances of the company and group, consistently applied and adequately disclosed.

We have conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the company or any of its subsidiaries other than in our capacity as auditors, internal auditors, tax advisers and consultants.

Unqualified Opinion

We have obtained all the information and explanations we have required. In our opinion:

- (a) proper accounting records have been kept by the company as far as appears from our examination of those records; and
- (b) the financial statements on pages 35 to 56:
 - (i) comply with generally accepted accounting practice, and
 - (ii) give a true and fair view of the financial position of the company and group as at 30 June 1999 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 11 August 1999 and our unqualified opinion is expressed as at that date.



Chartered Accountants

Auckland

Statements of Financial Performance

for the year ended 30 June 1999

	Note	Consolidated		Parent Company	
		1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
CONTINUING ACTIVITIES					
Revenue					
Sales		256,989	239,065	9	129
Other revenue	2	718	576	48,599	30,506
Total Revenue		257,707	239,641	48,608	30,635
Expenses					
Operating expenses		136,561	137,987	4,582	4,146
Depreciation and disposals		27,979	23,949	161	166
Funding expenses		24,064	24,244	1,897	886
Pre-opening expenses		-	5,261	-	-
Total Expenses	3	188,604	191,441	6,640	5,198
Operating Surplus before Non-Recurring Expenses and Income Tax		69,103	48,200	41,968	25,437
Non-Recurring Expenses					
Pre-opening expenses		-	23,433	-	-
Management termination fee		-	20,370	-	-
Total Non-Recurring Expenses	3	-	43,803	-	-
SURPLUS BEFORE INCOME TAX		69,103	4,397	41,968	25,437
Income tax	4	23,545	1,926	-	-
SURPLUS AFTER INCOME TAX		45,558	2,471	41,968	25,437
SURPLUS AFTER INCOME TAX ATTRIBUTABLE TO:					
Operations		45,558	32,097	41,968	25,437
Non-recurring expenses		-	(29,626)	-	-
		45,558	2,471	41,968	25,437

Statements of Movements in Equity

for the year ended 30 June 1999

	Note	Consolidated		Parent Company	
		1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Equity at the Beginning of the Year		152,895	189,588	175,861	189,588
Surplus and Revaluations					
Net surplus for the year		45,558	2,471	41,968	25,437
		<u>198,453</u>	<u>192,059</u>	<u>217,829</u>	<u>215,025</u>
Other Movements					
Distributions to owners	6	(41,396)	(28,663)	(41,396)	(28,663)
Over-provision of prior period dividend	6	142	-	142	-
Repurchase of shares	5	(8,511)	(10,501)	(8,511)	(10,501)
Exercise of share options	5	127	-	127	-
EQUITY AT THE END OF THE YEAR		<u>148,815</u>	<u>152,895</u>	<u>168,191</u>	<u>175,861</u>

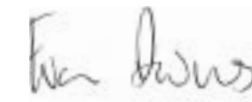
Statements of Financial Position

as at 30 June 1999

	Note	Consolidated		Parent Company	
		1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Equity					
Share capital	5	167,115	175,499	167,115	175,499
Retained earnings	6	(18,300)	(22,604)	1,076	362
TOTAL EQUITY		<u>148,815</u>	<u>152,895</u>	<u>168,191</u>	<u>175,861</u>
Current Assets					
Cash and bank		19,030	11,749	5	27
Receivables and prepayments	7	3,468	3,025	529	174
Inventories		1,602	1,709	-	-
Income tax	4	6,765	7,122	6,765	1,344
Advances to subsidiaries	16	-	-	-	5,977
Total Current Assets		<u>30,865</u>	<u>23,605</u>	<u>7,299</u>	<u>7,522</u>
Non-Current Assets					
Property, plant and equipment	8	473,517	482,715	244	366
Investments in subsidiaries and associates	14	1,680	-	187,681	186,000
Total Non-Current Assets		<u>475,197</u>	<u>482,715</u>	<u>187,925</u>	<u>186,366</u>
TOTAL ASSETS		<u>506,062</u>	<u>506,320</u>	<u>195,224</u>	<u>193,888</u>
Current Liabilities					
Creditors and accruals	9	27,705	46,269	1,930	1,364
Provision for dividend	6	25,030	16,663	25,030	16,663
Short-term borrowings	10	36	36	-	-
Advances from subsidiaries	16	-	-	73	-
Total Current Liabilities		<u>52,771</u>	<u>62,968</u>	<u>27,033</u>	<u>18,027</u>
Non-Current Liabilities					
Deferred tax	4	14,471	13,413	-	-
Borrowings	10	290,005	277,044	-	-
Total Non-Current Liabilities		<u>304,476</u>	<u>290,457</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES		<u>357,247</u>	<u>353,425</u>	<u>27,033</u>	<u>18,027</u>
TOTAL NET ASSETS		<u>148,815</u>	<u>152,895</u>	<u>168,191</u>	<u>175,861</u>



J P Hartley, Chairman
11 August 1999



E W Davies, Managing Director
11 August 1999

Statements of Cash Flows

for the year ended 30 June 1999

	Consolidated		Parent Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
CASH FLOWS RELATED TO OPERATING ACTIVITIES				
Cash was provided from:				
Receipts from customers	256,315	240,390	9	129
Interest received	504	551	-	-
Dividends received	38	20	-	-
	<u>256,857</u>	<u>240,961</u>	<u>9</u>	<u>129</u>
Cash was applied to:				
Payments to suppliers and employees	127,351	126,124	4,490	4,283
Management termination fee	20,328	-	-	-
Interest paid	22,539	26,164	-	929
Gaming taxes paid	9,276	8,805	-	-
Income taxes paid	22,130	7,262	21,908	1,344
Net GST paid/(received)	(448)	550	22	4
	<u>201,176</u>	<u>168,905</u>	<u>26,420</u>	<u>6,560</u>
Net Cash Flows from Operating Activities	55,681	72,056	(26,411)	(6,431)
CASH FLOWS RELATED TO INVESTING ACTIVITIES				
Cash was provided from:				
Sale of property, plant and equipment	19	80	-	-
Cash was applied to:				
Purchase and construction of property, plant and equipment	18,174	12,331	28	34
Interest paid - capitalised	255	1,399	-	-
Investments in subsidiaries and associates	1,680	-	1,681	-
Pre-opening expenses	-	1,512	-	-
Net GST received	-	(213)	-	-
	<u>20,109</u>	<u>15,029</u>	<u>1,709</u>	<u>34</u>
Net Cash Flows from Investing Activities	(20,090)	(14,949)	(1,709)	(34)
CASH FLOWS RELATED TO FINANCING ACTIVITIES				
Cash was provided from:				
Proceeds of short-term debt	-	15,000	-	15,000
Proceeds of long-term debt	58,000	8,000	-	-
Exercise of share options	127	-	127	-
Advances from subsidiaries	-	-	69,369	82,489
	<u>58,127</u>	<u>23,000</u>	<u>69,496</u>	<u>97,489</u>
Cash was applied to:				
Repayment of short-term debt	39	34,034	-	34,000
Repayment of long-term debt	45,000	6,000	-	-
Distributions to shareholders	32,887	31,500	32,887	31,500
Repurchase of shares	8,511	10,501	8,511	10,501
Advances to subsidiaries	-	-	-	15,000
	<u>86,437</u>	<u>82,035</u>	<u>41,398</u>	<u>91,001</u>
Net Cash Flows from Financing Activities	(28,310)	(59,035)	28,098	6,488
NET INCREASE/(DECREASE) IN CASH HELD	7,281	(1,928)	(22)	23

Statements of Cash Flows continued

for the year ended 30 June 1999

	Consolidated		Parent Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
RECONCILIATION OF CASH:				
Opening cash and bank	11,749	13,677	27	4
Net increase/(decrease) in cash held	7,281	(1,928)	(22)	23
CLOSING CASH AND BANK	19,030	11,749	5	27
RECONCILIATION WITH OPERATING SURPLUS				
Reported surplus after taxation	45,558	2,471	41,968	25,437
Items not involving cash flows				
Depreciation expense	25,127	23,790	160	166
Impairment of property, plant and equipment	2,840	-	-	-
Pre-opening expense	-	28,694	-	-
Increase/(Decrease) in provisions	31	(13)	-	-
Increase in deferred taxation	1,058	1,786	-	-
Subsidiary transactions	-	-	(63,333)	(30,670)
Impact of changes in working capital items				
Decrease/(Increase) in accounts receivable and prepayments	(371)	1,310	(372)	(32)
Decrease in inventory	96	42	-	-
Decrease/(Increase) in pre-paid income tax	357	(7,122)	(5,421)	(1,344)
Increase/(Decrease) in creditors and accruals	(19,278)	21,133	569	(13)
Movement in GST payable	384	(194)	17	25
Items classified as investing activities				
Net loss/(surplus) on disposal of property, plant and equipment	(121)	159	1	-
NET CASH FLOW FROM OPERATING ACTIVITIES	55,681	72,056	(26,411)	(6,431)

① STATEMENT OF ACCOUNTING POLICIES

The financial statements presented here are for the reporting entity Sky City Limited (the parent company) and the consolidated financial statements of the group comprising Sky City Limited, its subsidiaries and associates.

The financial statements have been prepared in accordance with the requirements of the Companies Act 1993 and the Financial Reporting Act 1993.

The financial statements have been prepared on the basis of historical cost with the exception of certain items for which specific accounting policies are identified.

Accounting Policies

The financial statements are prepared in accordance with New Zealand generally accepted accounting practice. The accounting policies that materially affect the measurement of financial performance, financial position and cash flows are set out below.

(i) Principles of Consolidation

The consolidated financial statements include those of the parent company and its subsidiaries accounted for using the purchase method and include the results of associates using the equity method. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between group members have been eliminated.

(ii) Goods and Services Tax (GST)

The Statements of Financial Performance and Statements of Cash Flows have been prepared so that all components are stated net of GST. All items in the Statements of Financial Position are stated net of GST, with the exception of receivables and payables which include GST invoiced.

(iii) Operating Revenue Recognition

Revenues include casino, hotel, food and beverage, 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.

(iv) Income Tax

The company follows the liability method of accounting for deferred taxation. The taxation charge against the surplus for the year is the estimated liability in respect of that surplus after allowance for permanent differences. This is the comprehensive basis for the calculation of deferred taxation. Timing differences relating to interest capitalised to buildings are determined on a net present value basis over the estimated life of the buildings.

A deferred tax asset, or the effect of losses carried forward that exceed the deferred tax liability, is recognised in the financial statements only where there is virtual certainty that the benefit of the timing differences, or losses, will be utilised.

① STATEMENT OF ACCOUNTING POLICIES *continued***(v) Property, Plant and Equipment**

The cost of assets is the value of the consideration paid to acquire the assets and the value of other directly attributable costs which have been incurred in bringing the assets to the location and condition necessary for their intended service. Funding costs incurred during the period of construction are capitalised as part of the total cost of the assets.

(vi) Depreciation

As construction is completed and property, plant and equipment is used in operations, depreciation is charged on a straight line basis so as to write off the cost of the assets to their estimated residual value over their expected useful lives. The estimated economic lives are as follows:

Buildings	75 years	Building fitout	10 years
Plant and equipment	2-20 years	Fixtures and fittings	2-20 years
Vehicles	3 years		

Gains and losses on disposals of property, plant and equipment are taken into account in determining the operating result for the year.

(vii) Year 2000 Expenditure

Costs incurred to test and/or modify existing information systems to ensure compatibility with the Year 2000 are expensed when incurred. If modifications are part of a wider project of significant system improvement, including added functionality, the costs incurred will be capitalised in accordance with the policy on property, plant and equipment (Note 1(v)).

(viii) Deferred Expenditures

Borrowing costs associated with the operation of the facility, such as origination, commitment and transaction fees, are amortised to earnings over the period of the borrowing.

(ix) Pre-licence Expenditure and Pre-opening Expenditure

Pre-licence expenditure relates to expenditure incurred to obtain a casino premises licence. Pre-opening expenditure relates to expenditure incurred subsequent to the issue of a casino premises licence and prior to the opening of any facilities. Pre-opening and pre-licence expenditure is expensed as incurred. The expenditure includes marketing, payroll and other expenditure.

Change in Accounting Policy – Pre-opening Expenditure

A change in accounting policy was made for the year ended 30 June 1998 in order for reported profitability to more closely match the underlying performance of the business on an ongoing basis.

The previous policy deferred pre-opening expenditure until such time as all facilities in a complex were open. Deferred expenditure was then expensed in the Statement of Financial Performance over a five year period. Operating expenses to 30 June 1998 include pre-opening expenditure of \$5,261,000 as would have been reported under the previous policy.

The effect of the change in policy was recognised as a non-recurring expense for the year ended 30 June 1998.

① STATEMENT OF ACCOUNTING POLICIES *continued*

(x) Leased Assets

Leases under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Operating lease payments are recognised as an expense in the periods of expected benefit.

Assets under finance leases are recognised and depreciated on the same basis as other property, plant and equipment held by the group. Payment obligations are recorded within total borrowings on the Statements of Financial Position.

(xi) Investments

The parent company's investment in the shares of its subsidiaries and associates are stated at cost.

(xii) Receivables

Receivables are stated at estimated realisable value after providing against debts where collection is doubtful. Bad debts are written off during the year in which they are identified.

(xiii) Inventories

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

(xiv) Foreign Currencies

Transactions denominated in a foreign currency are converted at the exchange rate at the date of the transaction. Foreign currency receivables and payables at balance date are translated at exchange rates current at balance date. Exchange gains and losses are brought to account in determining the surplus for the year.

(xv) Employee Entitlements

Employee entitlements to salaries and wages, non-monetary benefits, annual leave and other benefits are recognised when they accrue to employees. This includes the estimated liability for salaries and wages and annual leave as a result of services rendered by employees up to balance date.

(xvi) Financial Instruments

Financial instruments carried on the Statements of Financial Position include cash and bank balances, investments, receivables, trade creditors and borrowings. These instruments are carried at their estimated fair value. For example, receivables are carried net of the estimated doubtful receivables. The particular recognition methods adopted are disclosed in the individual policy statements associated with each item.

Where possible, financial assets are supported by collateral or other security. These arrangements are described in the individual policy statements associated with each item.

The parent company and group are also parties to financial instruments that have not been recognised in the financial statements. These instruments reduce exposure to fluctuations in interest rates and include fixed rate borrowings, interest rate swap and forward rate agreements which have been transacted. Any risks associated with these instruments are off balance sheet. However, the purpose of these instruments is to cover interest rate risk.

Full disclosure of information about financial instruments to which the group is a party is provided in Note 18.

① STATEMENT OF ACCOUNTING POLICIES *continued*

(xvii) Statements of Cash Flows

The following are definitions of the terms used in the consolidated and parent company Statements of Cash Flows:

Cash is considered to be cash on hand including cash for use within the casino, short-term deposits and current accounts in banks net of bank overdrafts.

Investing Activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment and of investments. Investments can include securities not falling within the definition of cash.

Financing Activities are those activities which result in changes in the size and composition of the capital structure of the company. This includes both equity and debt not falling within the definition of cash. Share issues/repurchases and dividends paid in relation to the capital structure are included in Financing Activities.

Operating Activities are those activities relating to the trading and management of the business and include all transactions and other events that are not Investing or Financing Activities. Cash receipts from customers are net of complimentary.

(xviii) Changes in Accounting Policies

As described in Note 1(ix) there was a change in accounting policy adopted for pre-opening expenditure in the year ended 30 June 1998. All other accounting policies have been applied consistently with prior years.

	Consolidated		Parent Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
② OPERATING REVENUE				
Continuing Activities - Other Revenue				
Interest received	536	556	-	-
Dividends received	38	20	-	-
Foreign exchange gains	11	-	-	-
Gains on disposal of property, plant and equipment	133	-	-	-
Interest received - group companies	-	-	-	1,079
Dividends received - group companies	-	-	45,000	26,000
Administration fees - group companies	-	-	3,599	3,427
Total Other Revenue	718	576	48,599	30,506
③ OPERATING EXPENSES				
(i) Included within total expenses are the following expense items:				
Employee remuneration	69,703	65,955	2,199	1,568
Depreciation	25,127	23,790	160	166
Impairment of property, plant and equipment	2,840	-	-	-
Losses on disposal of property, plant and equipment	12	159	1	-
Pre-opening expenses	-	5,261	-	-
Bad debts written-off	54	273	-	-
Increase/(Decrease) in estimated doubtful debts	20	(13)	-	-
Foreign exchange losses	21	13	-	-
Financing charges:				
Interest paid	23,737	24,079	121	822
Facility fees	327	165	-	64
Interest paid – group companies	-	-	1,776	-
Leasing costs:				
Rental expense on operating leases	1,852	1,779	118	119
Amounts paid to auditor:				
Audit fees paid to the principal auditor	69	41	15	27
Fees paid for other services provided by the principal auditor	945	581	745	157

	Consolidated		Parent Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
③ OPERATING EXPENSES <i>continued</i>				
(i) Included within total expenses are the following expense items (continued)				
Other:				
Directors' fees	210	147	210	147
Community Trust and donations	1,139	803	-	-
(ii) Non-recurring Expenses:				
Management termination fee	-	20,370	-	-
Pre-opening expenses	-	23,433	-	-
④ INCOME TAX				
(i) Income Tax Expense				
Operating surplus before tax	69,103	4,397	41,968	25,437
Permanent differences:				
Dividends received	-	-	(45,000)	(26,000)
Imputation credits on assessable dividends	19	10	-	-
Non-deductible expenditure	2,030	2,045	1,126	94
Capitalised expenditure deductible for tax	-	(43)	-	-
Surplus subject to tax	71,152	6,409	(1,906)	(469)
Tax at 33%	23,480	2,115	(629)	(155)
Over/(Under) provision in prior year	86	(95)	-	-
Imputation credits on dividends	(19)	(10)	-	-
Revaluation of long-term timing differences to net present value	(2)	(84)	-	-
Transfer of group losses	-	-	629	155
Income Tax Attributable to Net Operating Surplus	23,545	1,926	-	-
Comprising:				
Current tax liability	20,797	140	-	-
Deferred tax liability	2,748	1,786	-	-
	23,545	1,926	-	-

	Consolidated		Parent Company	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000

④ **INCOME TAX** *continued*

(ii) **Current Tax Liability**

The group has no tax losses to carry forward at 30 June 1999 (1998: \$nil).

At 30 June 1999 the company has pre-paid income tax of \$6,765,000 (1998: \$7,122,000). During the year ended 30 June 1998 the group prepaid income tax pending the resolution of tax deductibility issues as described in Note 15 of the financial statements.

(iii) **Deferred Tax Liability**

Balance at 30 June 1998	13,413	11,627	-	-
Prior year timing differences not recognised	(1,690)	-	-	-
Current year movement	2,748	1,786	-	-
Balance at 30 June 1999	14,471	13,413	-	-

(iv) **Imputation Credit**

Memorandum Account

Balance at 30 June 1998 – credit	1,384	23	-	-
Taxation payments made	22,130	7,261	-	1,344
Credits attached to dividends received	19	10	-	-
Credits attached to dividends paid	(16,196)	(5,910)	-	(5,910)
Balance at 30 June 1999 – credit/(debit)	7,337	1,384	-	(4,566)

The parent company, together with its wholly-owned subsidiary companies, form a consolidated group for income tax purposes. Accordingly income tax payments and imputation credit movements are generally reported on a consolidated basis and are available to shareholders through their shareholding in the parent company.

⑤ **SHARE CAPITAL**

Issued and Paid-Up Capital

96,269,100 ordinary shares
(1998: 98,018,300)

Balance at 30 June 1998	175,499	186,000	175,499	186,000
Share repurchase	(8,511)	(10,501)	(8,511)	(10,501)
Exercise of share options	127	-	127	-
Balance at 30 June 1999	167,115	175,499	167,115	175,499

	Consolidated		Parent Company	
	1999	1998	1999	1998
	\$'000	\$'000	\$'000	\$'000

⑤ **SHARE CAPITAL** *continued*

Executive Share Option Plan

Pursuant to the Executive Share Option Plan approved by shareholders at the Annual Meeting held on 5 December 1996 165,000 (1998: 135,000) options are on issue to executive personnel at 30 June 1999.

Options are exercisable two years after the date of issue provided the terms and conditions of the Plan are met and lapse if not exercised within five years of issue. A total of 185,000 (1998: 135,000) options have been issued in accordance with the Plan and 20,000 options have been exercised during the year ended 30 June 1999 (1998: nil).

On 23 December 1996, 85,000 options were issued at an exercise price of \$6.34. On 16 April 1999 20,000 of these options were exercised.

On 8 September 1997, 50,000 options were issued at an exercise price of \$6.75 and on 10 September 1998 a further 50,000 options were issued at an exercise price of \$4.93.

⑥ **RETAINED EARNINGS AND DIVIDENDS**

(i) **Retained Earnings**

Balance at 30 June 1998	(22,604)	3,588	362	3,588
Net surplus for the year	45,558	2,471	41,968	25,437
Dividends paid/provided	(41,254)	(28,663)	(41,254)	(28,663)
Balance at 30 June 1999	(18,300)	(22,604)	1,076	362

(ii) **Dividends**

Interim dividend paid	16,366	12,000	16,366	12,000
Over-provision of prior period dividend	(142)	-	(142)	-
Final cash dividend provided	25,030	16,663	25,030	16,663
	41,254	28,663	41,254	28,663

⑦ **RECEIVABLES AND PREPAYMENTS**

Current

Trade receivables	1,177	1,307	-	-
Estimated doubtful receivables	(81)	(61)	-	-
	1,096	1,246	-	-
Other receivables	810	1,048	494	139
Prepayments	1,562	731	35	35
Total Receivables and Prepayments	3,468	3,025	529	174

The directors consider the carrying amounts of receivables reflect their fair values.

	Consolidated		Parent Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
⑧ PROPERTY, PLANT AND EQUIPMENT				
Interest incurred during the year to 30 June 1999 of \$255,000 (1998: \$504,000) has been capitalised to land and buildings under construction during the financial year.				
Total capitalised interest and facility fees included in the cost of land and buildings at 30 June 1999 is \$32,621,000 (1998: \$32,366,000).				
Freehold Land				
At cost	66,243	63,913	-	-
Buildings (including fitout)				
At cost	346,543	340,453	-	-
Accumulated depreciation	(14,749)	(9,572)	-	-
Total carrying amount of buildings	331,794	330,881	-	-
Plant and Equipment				
At cost	108,450	100,329	227	207
Accumulated depreciation	(45,229)	(28,605)	(177)	(103)
Total carrying amount of plant and equipment	63,221	71,724	50	104
Motor Vehicles				
At cost	216	238	-	-
Accumulated depreciation	(196)	(157)	-	-
Total carrying amount of motor vehicles	20	81	-	-
Fixtures and Fittings				
At cost	27,834	27,418	404	400
Accumulated depreciation	(15,640)	(11,382)	(210)	(138)
Total carrying amount of fixtures and fittings	12,194	16,036	194	262
Plant and Equipment - Leased				
Capitalised finance leases	143	143	-	-
Accumulated depreciation	(98)	(63)	-	-
Total carrying amount of leased assets	45	80	-	-
Total Carrying Amount of Property, Plant and Equipment	473,517	482,715	244	366

	Consolidated		Parent Company	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
⑧ PROPERTY, PLANT AND EQUIPMENT <i>continued</i>				
A memorandum of encumbrance is registered against the title of land in favour of Auckland City Council. Prior written consent is required by Auckland City Council before any transfer, assignment or disposition of 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 carpark 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 Sky City as carparking and a vehicle tunnel. The encumbrance is to notify any transferee of the Council's interest as lessor of the sub-soil areas.				
⑨ CREDITORS AND ACCRUALS				
Current				
Trade/operating creditors	8,031	5,847	555	221
Accrued expenses	12,385	9,873	922	788
Trade payables to Harrah's Entertainment, Inc.	-	23,983	-	-
Employee entitlements	7,289	6,566	453	355
Total Creditors and Accruals	27,705	46,269	1,930	1,364

The directors consider the carrying amounts of payables reflect their fair values.

⑩ BORROWINGS

Borrowings are recognised as follows:

Current Liabilities

Current finance leases	36	36	-	-
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Non-Current Liabilities

Secured bank loan	290,000	277,000	-	-
Non-current finance leases	5	44	-	-
	290,005	277,044	-	-

(i) Secured Bank Loan

At balance date a bank loan secured by composite debenture over the assets and undertakings of the group was outstanding to the amount of \$290,000,000 (1998: \$277,000,000).

A total facility of \$350,000,000, secured by the composite debenture, was available to the group as at 30 June 1999 (1998: \$300,000,000). The facility comprises a fixed cash facility of \$250,000,000 and a revolving credit facility of \$100,000,000.

Consolidated		Parent Company	
1999	1998	1999	1998
\$'000	\$'000	\$'000	\$'000

⑩ **BORROWINGS** *continued*

(i) **Secured Bank Loan (continued)**

The fixed cash facility is repayable to a balance of \$235,000,000 by 31 March 2000, \$220,000,000 by 31 March 2001 and \$205,000,000 by 31 March 2002. The total facility matures in July 2003.

Weighted Average Interest Rate

The weighted average interest rate (inclusive of margin) on the group's debt, incurred during the year ended 30 June 1999, was 8.08% (1998: 8.62%).

(ii) **Analysis of Finance Lease Liabilities**

Payable not later than one year	36	36	-	-
Payable later than one, not later than two years	5	36	-	-
Payable later than two, not later than five years	-	8	-	-
Payable later than five years	-	-	-	-
Recognised as a liability	<u>41</u>	<u>80</u>	-	-

Representing lease liabilities:

Current	36	36	-	-
Non-current	5	44	-	-
	<u>41</u>	<u>80</u>	-	-

⑪ **COMMITMENTS**

The following amounts have been committed by the group or parent company, but not recognised in the financial statements:

(i) **Capital Expenditure**

Contractual commitments of up to \$27,200,000 are outstanding as at 30 June 1999 (1998: \$2,966,000). These relate to purchases of plant and equipment for the Auckland complex and costs associated with Riverside Casino Limited which is an applicant for a casino premises licence in Hamilton. Prior to 30 June 1999 Sky City entered into agreements to acquire up to 55% of the shares of Riverside Casino Limited. At 30 June 1999 \$1,680,000 has been paid in respect of the acquisition of 35% of the shares in Riverside Casino Limited. The remaining commitment in relation to Riverside Casino Limited is contingent upon the issue of a casino premises licence and the terms of the purchase agreements.

Consolidated		Parent Company	
1999	1998	1999	1998
\$'000	\$'000	\$'000	\$'000

⑪ **COMMITMENTS** *continued*

(ii) **Non-Cancellable Operating Lease Commitments**

Payable not later than one year	421	562	123	120
Payable later than one, not later than two years	214	288	55	120
Payable later than two, not later than five years	347	446	87	138
Payable later than five years	1,410	1,495	-	-
	<u>2,392</u>	<u>2,791</u>	<u>265</u>	<u>378</u>

Operating lease commitments include a sub-soil lease of \$85,000 per annum. The above obligations payable later than five years from balance date reflect the sub-soil lease for the remainder of the term of the casino premises licence.

⑫ **PRE-OPENING EXPENDITURE**

No pre-opening expenditure was incurred in the year ended 30 June 1999 (1998: \$1,500,000). In the year ended 30 June 1998 accumulated pre-opening expenditure of \$28,694,000 was expensed in the Statement of Financial Performance. In accordance with the original accounting policy for pre-opening expenditure \$5,261,000 was expensed during the year and the balance of \$23,433,000 was expensed as a non-recurring item.

⑬ **EARNINGS PER SHARE**

	Consolidated	
	1999	1998
Number of ordinary shares on issue (weighted average)	96,660,508	99,818,060
Group surplus from operations per share	47.1 cents	32.2 cents
Impact of non-recurring expenses per share	-	(29.7 cents)
Group surplus per share	<u>47.1 cents</u>	<u>2.5 cents</u>

Earnings per share is calculated by dividing the group operating surplus after income tax by the weighted average of the number of ordinary shares on issue during the year.

14 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

Subsidiaries

The following companies were wholly-owned subsidiaries of Sky City Limited as at 30 June 1999:

Sky City Auckland Holdings Limited	Group funding
Sky City Auckland Limited	Casino premises licence holder
Sky City Casino Management Limited	Casino operator's licence holder
Sky City Management (Auckland) Limited	Employment of staff
Abdiel Investments Limited	Property owner
Sky City Construction Limited	Non-trading
Sky City Nominees Limited	Non-trading
Sky City Wellington Limited	Non-trading

Amalgamation

On 30 June 1999 Sky Tower Limited, Sky City Properties Limited, Kionis Investments Limited, Lespel Investments Limited and Noorka Investments Limited were amalgamated with Sky City Auckland Limited.

Sky City Anywhere Limited, Sky City Reservations Limited and Sky City Hamilton Limited which were all non-trading subsidiaries were amalgamated with Sky City Limited on 30 June 1999.

Under the above amalgamations Sky City Auckland Limited and Sky City Limited took control of all assets and assumed responsibility for the liabilities of the respective amalgamating subsidiaries.

Subsequent to balance date, Sky City Nominees Limited has been renamed Sky Tower Limited and remains a non-trading subsidiary.

Shareholding of Subsidiary Companies

Other than the transfer of shares in Sky Tower Limited (now amalgamated) from Sky City Auckland Holdings Limited to Sky City Auckland Limited and the amalgamation outlined above, there have been no changes in the shareholdings of the wholly-owned group subsidiary companies since 30 June 1998.

During the year ended 30 June 1998 there were no changes in the shareholding of subsidiary companies other than the incorporation of Sky City Casino Management Limited, Sky City Hamilton Limited and Sky City Wellington Limited.

All wholly-owned subsidiary companies have balance dates of 30 June.

Other Subsidiaries

Sky City Limited holds a 60% share in Queenstown Casinos Limited which is the holder of a casino premises licence in Queenstown. The company has not traded in the year to 30 June 1999 (1998: nil). Costs in relation to the casino premises licence application are recognised in a joint venture arrangement with Skyline Enterprises Limited. Sky City Limited's share of these joint venture costs is recognised in the Statements of Financial Performance.

14 INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES *continued*

Associate Companies

During the year ended 30 June 1999 Sky City has acquired 35% of the shares in Riverside Casino Limited, an applicant for a casino premises licence in Hamilton. An option is in place to increase the holding to 55% upon the granting of a casino premises licence to Riverside Casino Limited.

Riverside Casino Limited has not traded in the year to 30 June 1999 and the carrying value of the investment (\$1,680,000; 1998: nil) is dependent on the outcome of the casino premises licence application made by Riverside Casino Limited. If the licence application is unsuccessful the investment made to date will be written-off in the Statement of Financial Performance. Costs in relation to the casino premises licence application are recognised in a cost sharing arrangement with other shareholders.

15 CONTINGENT LIABILITIES

For the year ended 30 June 1998 income tax was recognised in the Statements of Financial Performance on the basis that various non-recurring expenditure items are deductible for tax purposes.

The Inland Revenue Department has indicated that some or all of approximately \$15,000,000 of income tax credit claimed in relation to these expenses may be re-assessed. The directors have received professional advice that it is not appropriate to recognise a liability and the company intends to contest any re-assessment received.

There were no other significant contingent liabilities at balance date or 30 June 1998.

16 RELATED PARTY INFORMATION

Sky City Limited is a publicly listed company on the New Zealand and Australian stock exchanges.

For the period prior to 1 April 1999 the immediate holding company of the group was Betony Properties Limited and the ultimate holding company was Brierley Investments Limited which held 63,100,000 shares (1998: 63,100,000). All shares held by Brierley Investments Limited were sold by way of a public instalment receipt offering on 1 April 1999.

Subsidiaries and Associates

All members of the group as listed in Note 14 are considered to be related parties of the parent company Sky City Limited.

In presenting the financial statements of the group the effect of transactions and balances between fellow subsidiaries and those with the parent company have been eliminated. Accordingly, so far as the group is concerned the subsidiaries are not related parties.

Related Party Transactions and Balances

On 2 March 1999 Sky City Limited entered into a deed of indemnity and cost reimbursement with Brierley Investments Limited in relation to the public offer of shares held by Brierley Investments Limited in Sky City Limited.

As agreed the sum of \$1,550,000 (plus GST) was received from Brierley Investments Limited to cover certain costs incurred by Sky City Limited in connection with the public offer of shares. These costs included legal

16 RELATED PARTY INFORMATION *continued*

Related Party Transactions and Balances (continued)

and advisory costs associated with the preparation of the offering documents. Additional expenditure relating to the offer of shares such as travel and marketing expenditure were paid by Sky City Limited and are reimbursable by Brierley Investments Limited.

In the year to 30 June 1999 there were no other related party transactions other than the payment of outstanding balances to Harrah's New Zealand Inc. recognised at 30 June 1998.

Harrah's Entertainment Inc., the parent company of Harrah's Operating Company, held 12.5% of the shares in Sky City Limited until the shares were transferred to a subsidiary of Brierley Investments Limited when the management agreement with Harrah's New Zealand Inc. (a subsidiary of Harrah's Entertainment Inc.) to operate the Sky City complex was terminated. Under the termination provisions of the management agreement Harrah's New Zealand Inc. continued to operate the Sky City complex until 30 June 1998.

Expenditure incurred by Harrah's Entertainment Inc. in support of the business activities was recharged to Sky City Limited in accordance with the management agreement.

The related party expenditure with Harrah's Entertainment Inc. and its subsidiary Harrah's New Zealand Inc. included management fees and other expenditure to support the continuing operations of the group. During the year to 30 June 1998 these costs totalled \$13,082,000. The amount payable at 30 June 1999 is \$nil (30 June 1998: \$23,983,000)

Sky City Casino Management Limited, a wholly-owned subsidiary of Sky City Limited, holds a casino operator's licence and has replaced Harrah's New Zealand Inc. as operator of the Sky City complex.

17 SEGMENT INFORMATION

The group currently operates in the entertainment, leisure and recreation sector in New Zealand.

18 FINANCIAL INSTRUMENTS

(i) Credit Risk

Financial assets which potentially subject the group and parent company to concentrations of credit risk consist principally of cash, short-term deposits and trade receivables. The parent company's and group's cash equivalents and short-term deposits are placed with high credit quality financial institutions. Trade receivables are presented net of the allowance for estimated doubtful receivables. Credit risk with respect to trade receivables is limited due to the relatively low value of receivables at any given time as the nature of the business is cash-oriented. Accordingly the directors believe the group has no significant concentration of credit risk.

Consolidated		Parent Company	
1999	1998	1999	1998
\$'000	\$'000	\$'000	\$'000

18 FINANCIAL INSTRUMENTS *continued*

(ii) Fair Values

The carrying amount of cash and bank balances reflect their fair values. Information on the fair values of all other financial instruments recognised in the financial statements is included in the relevant notes to the financial statements.

Financial Assets and Liabilities

Carrying Amounts

Cash and bank	19,030	11,749	5	27
Receivables and prepayments	3,468	3,025	529	174
Income tax	6,765	7,122	6,765	1,344
Investments	1,680	-	187,681	186,000
Advances to/(from) subsidiaries	-	-	(73)	5,977
Creditors and accruals	(27,705)	(46,269)	(1,930)	(1,364)
Borrowings - short-term	(36)	(36)	-	-
Borrowings - long-term	(290,005)	(277,044)	-	-
Net carrying amount of recognised financial instruments	(286,803)	(301,453)	192,977	192,158

The directors believe the carrying values of the financial assets and liabilities reflect the fair values of those assets and liabilities.

(iii) Currency Risk and Interest Rate Risk

Interest Rate Risk

Short-term deposits were at call as at 30 June 1999. Deposits are held with major banking institutions.

Interest rates on borrowings are a mix of fixed and floating. As at 30 June 1999 59% (1998: 60%) of total borrowings were hedged via long-term (exceeding 12 months) interest rate swap agreements with major banks.

A number of short-term (less than 12 months) interest rate swap agreements of varying maturities, with major banks, were in place over 41% (1998: 28%) of the balance of the total borrowing. In 1998 the remaining 12% was at floating rates.

18 FINANCIAL INSTRUMENTS *continued*

(iii) Currency Risk and Interest Rate Risk (continued)

Fixed versus Floating Interest Rate – Bank Facility

At 30 June 1999, Sky City Limited had total borrowings of \$290,000,000 (1998: \$277,000,000), structured as below:

	1999			1998		
	\$'000	% of Total	% Rate	\$'000	% of Total	% Rate
Term Borrowings (exceeding 12 months)						
- fixed by long-term (exceeding 12 months) interest rate swaps	170,000	59	7.83	165,000	60	8.58
- fixed by short-term (less than 12 months) interest rate swaps	120,000	41	7.89	78,000	28	8.16
- floating rate borrowings	-	-	-	34,000	12	9.89
	120,000	41	7.89	112,000	40	8.68
Total Debt Facility	290,000	100	7.86	277,000	100	8.62

Rates shown above are inclusive of bank margin.

Maturities

The interest swap maturities are at various dates through July 2003.

The long term interest rate swap maturities occur between twenty-three months and four years from balance date.

A swap option, in the amount of \$20 million, with an exercise right in favour of the bank has been negotiated. The effective date is 1 October 1999. The rate applicable to this swap option of 7.09%, means that given current four year swap rates the option is expected to be exercised by the bank. The option will not be recognised as a long-term swap until it has been exercised, or otherwise, by the bank.

Swap and FRA Values : Mark to Market

The swaps and forward rate agreements in place as at 30 June 1999 have been valued by the respective banks, on a mark to market basis, at a loss of \$5,047,000 (1998: gain of \$1,433,000).

Forward Exchange Cover

There were no foreign exchange contract positions as at 30 June 1999. Payments to overseas suppliers are made using the currency conversion rate as at the date of payment. The value of such transactions has been and will continue to be at a relatively low level.

SUBSIDIARY COMPANIES

The following people held office as directors of subsidiaries of the company at the end of the 1998/99 financial year. Apart from the appointment of J.A. Hood on 24 August 1998 and A.B. Ryan on 8 December 1998 as directors of Sky City Auckland Limited, there have been no changes in directors of the subsidiary companies during the year.

Sky City Auckland Limited

Directors: E.W. Davies, P.H. Elworthy, J.P. Hartley, J.A. Hood, P.L. Reddy, A.B. Ryan, E. Toime, W.G. Ward-Holmes.

Sky City Auckland Holdings Limited, Sky City Casino Management Limited

Directors: E.W. Davies, J.P. Hartley, A.B. Ryan

Sky City Management (Auckland) Limited, Abdiel Investments Limited, Sky City Construction Limited, Sky Tower Limited, Sky City Wellington Limited

Directors: E.W. Davies, A.B. Ryan

Queenstown Casinos Limited

Directors: E.W. Davies, P.J. Hensman, A.B. Ryan, B.C. Thomas

REMUNERATION OF DIRECTORS

Remuneration paid to directors during the year ended 30 June 1999 was:

E.W. Davies	\$664,993	P.H. Elworthy	\$35,465	J.P. Hartley	\$9,313
J.A. Hood	\$7,500	P.L. Reddy	\$72,500	E Toime	\$30,000
W.G. Ward-Holmes	\$34,500				

Directors' fees paid during the year to a subsidiary company of Brierley Investments Limited, prior to its sell-down of shares in Sky City comprised: J.P. Hartley (Jul '98 – Mar '99) \$35,222, J.A. Hood (Aug '98 – Mar '99) \$17,500 and P.L. Reddy (Jul '98 – Jan '99) \$17,500. None of these three directors has any continuing relationship with Brierley Investments Limited and they were each invited by the board of Sky City Limited to continue to serve as independent directors from 1 April 1999 (in the case of Messrs Hartley and Hood) and 1 February (in the case of Ms Reddy).

Remuneration paid to Ms Reddy includes \$60,000 paid for services performed on behalf of Sky City Limited to assist with the sell-down of shares held by Brierley Investments Limited. This includes consultancy services (\$50,000) and additional director's fees (\$10,000). These amounts were included within the total compensation received by Sky City Limited from Brierley Investments Limited for assisting with the sell-down process.

The Managing Director, Mr Davies, is not paid directors' fees. The amount shown next to his name represents the total of the remuneration and the value of other benefits received by him as an employee of the company.

No remuneration was received by any of the directors of the subsidiary companies in their capacity as directors of those companies. No director of the group or parent company has, since the end of the previous financial year, received or become entitled to receive a benefit other than the reimbursement of expenses incurred in relation to company matters or as disclosed elsewhere in this Annual Report.

DIRECTORS' AND OFFICERS' INDEMNITY AND INSURANCE

On 1 July 1998 the company effected directors' and officers' liability insurance coverage through HIH Casualty and General Insurance (NZ) Limited, for the period July 1998 to July 1999, with an aggregate limit of liability of \$25 million.

On 1 July 1998 the company effected statutory liability insurance through HIH Casualty and General Insurance (NZ) Limited, for the period July 1998 to July 1999 with an aggregate limit of liability of \$3 million.

The above-mentioned insurance policies have been renewed for the twelve month period ending July 2000. The directors' and officers' liability insurance cover has been increased to an aggregate limit of liability of \$30 million.

Indemnities have been given to directors and senior managers of the Sky City group to cover acts or omissions of directors or senior managers in their capacity as such.

INTERESTS REGISTER**Disclosure of Directors' Interests**

Section 140(1) of the 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 as entered in the company's Interests Register as at 30 June 1999 with the notices given by directors during the period ended 30 June 1999 marked with an asterisk.

Director	Other Company	Relationship
E.W. Davies	Auckland 2000 Trust	Chairman
	Melanesian Mission Trust	Trustee
	Tourism Auckland	Trustee
	Tourism Industry Association of New Zealand*	Chairman
P.H. Elworthy	Alan Duff Charitable Foundation	Chairman
	Lincoln University Foundation	Trustee
	Link Foundation	Trustee
	New Zealand Institute of Economic Research (Inc)	Trustee
	New Zealand Rural Property Trust	Director
	Opuha Dam Company Limited	Chairman
	Pacific Beef Limited	Director
	Primary Industry Consultants Board	Chairman
	Stanfield Oaks Limited	Director
	Trans Tasman Properties Limited	Director
Wild Peter Products Limited	Chairman	
J.P. Hartley	LWR Industries Limited	Chairman
	Solid Energy New Zealand Limited*	Consultant and Director of certain subsidiaries
	Trango Capital Limited*	Director and Shareholder

Disclosure of Directors' Interests (continued)

Director	Other Company	Relationship
J.A. Hood	America's Cup Task Force*	Chairman
	Auckland Uni Services Limited*	Director
	Kings School*	Governor
	New Zealand Sports Foundation*	Governor
	Prime Minister's Enterprise Council	Member
	Tonkin and Taylor Limited*	Chairman
	The University of Auckland*	Vice Chancellor
	The University of Auckland*	Member of Council
P.L. Reddy	Active Equities Limited*	Director and Shareholder
	Air New Zealand Limited	Director
	New Zealand Symphony Orchestra Foundation	Trustee
	Oil Basins Limited	Director
	Sky City Community Trust	Trustee
	Telecom Corporation of New Zealand Limited	Director
	Victoria University of Wellington Foundation	Trustee
E. Toime	New Zealand Post Limited	Chief Executive Officer
	Certain subsidiaries of New Zealand Post Limited	Chairman
	Datacom Group Limited	Director
	Datacom Australia Limited *	Director
	New Zealand Symphony Orchestra	Director
	Norwich Union Holdings (NZ) Limited	Director
	Norwich Union Holdings (NZ) Finance Limited	Director
	Norwich Union Financial Services (NZ) Limited	Director
	State Insurance Limited	Director
	W.G. Ward-Holmes	ASB Bank Limited and certain subsidiaries
ASB Charitable Trust		Trustee
ASB Community Trust		Trustee
Auckland Tennis		Board Member
Business Interlink (NZ) Limited*		Director
Farmers Deka Limited and its subsidiaries		Director
Infotouch Technologies Limited*		Director
Insul-Box International Limited		Director
Insul-Box (NZ) Limited		Director
MDC Investment Holdings Limited		Chief Executive Officer
Moana Pacific Fisheries Limited and its subsidiaries		Director
Speech Recognition Systems Limited		Director
Tainui Group Holdings Limited and its subsidiaries		Director
Te Kupenga Limited	Director	

Disclosure of Directors' Interests (continued)

The following details included in the Interests Register as at 30 June 1998 and entered during the year ended 30 June 1999 have been removed during the year ended 30 June 1999:

E.W. Davies is no longer a member of the Ministerial Advisory Board to the Office of Tourism and Sport. Mr Davies was previously Deputy Chairman of the Tourism Industry Association of New Zealand and is now Chairman.

P.H. Elworthy is no longer a director of BP New Zealand Limited or the Reserve Bank of New Zealand Limited. J.P. Hartley is no longer an employee or option holder of Brierley Investments Limited. Mr Hartley no longer holds positions as a director of AsiaPower Limited, owner's representative of CNI Forest Partnership, alternate director of Air New Zealand Limited or as a director of certain subsidiaries and associates of Brierley Investments Limited.

J.A. Hood was appointed as a director of Sky City Limited and Sky City Auckland Limited on 24 August 1998. Between 24 August 1998 and 30 June 1999, Mr Hood has acted in the following positions:

- consultancy services to Bayley Corporation Limited, Brierley Investments Limited, Fletcher Challenge Building Limited, the New Zealand Treasury, Tonkin and Taylor Limited and New Zealand Cricket Inc;
- director of Port of Tauranga Limited and Sealord Group Limited;
- owner's representative of CNI Forest Partnership; and
- board member of the New Zealand Sports Foundation.

Mr Hood no longer holds any of the above-named positions.

P.L. Reddy is no longer an executive of Brierley Investments Limited.

E. Toime is no longer the chairman or a trustee of the New Zealand Symphony Orchestra Foundation.

Disclosure of Directors' Interests in Shares (and Instalment Receipts)

Directors disclosed, pursuant to section 148 of the Companies Act 1993, the following acquisitions and disposals of relevant interests in Sky City instalment receipts:

Director	Date of acquisition/ disposal	Consideration	Instalment receipts acquired/ (disposed of)	Total instalment receipts held at 30 June 1999
E.W. Davies	1 April 1999	\$200,000	50,000	50,000
J.P. Hartley	1 April 1999	\$4,000	1,000	1,000
P.L. Reddy*	1 April 1999	\$48,000	12,000	12,000
E. Toime**	1 April 1999	\$20,000	5,000	5,000
W.G. Ward-Holmes	1 April 1999	\$200,000	50,000	50,000

* The number of instalment receipts held by P. L. Reddy includes 2,000 held by associated persons of Ms Reddy.

**The number of instalment receipts held by E. Toime includes 2,400 held by associated persons of Mr Toime.

Disclosure of Directors' Interests in Shares (continued)

As at 30 June 1999, none of the directors of Sky City Limited held either directly, or through a nominee, any ordinary shares in the company. There have been no disclosures to the Board pursuant to Section 148 of the Companies Act 1993 in relation to dealings by directors in the company's ordinary shares, as distinct from dealings in instalment receipts.

As at 30 June 1999, Mr Davies held 150,000 options issued pursuant to the Executive Share Option Plan approved by shareholders at the Annual Meeting of the company held on 5 December 1996. Options are exercisable two years after the date of issue, provided the terms and conditions of the Plan are met and lapse if they are not exercised within five years of the date of issue.

EMPLOYEE REMUNERATION

The number 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 during the financial year ended 30 June 1999, is listed below:

Remuneration	Group	Number of Employees	Parent Company
\$100,000 - \$109,999	8		
\$110,000 - \$119,999	3		
\$120,000 - \$129,999	2		
\$130,000 - \$139,999	3		2
\$150,000 - \$159,999	3		1
\$160,000 - \$169,999	1		
\$170,000 - \$179,999	1		1
\$180,000 - \$189,999	1		1
\$190,000 - \$199,999	1		
\$210,000 - \$219,999	1		
\$220,000 - \$229,999	1		
\$230,000 - \$239,999	1		1
\$240,000 - \$249,999	1		
\$260,000 - \$269,999	1		1

The above table includes the remuneration of personnel who were employed to perform duties previously performed by employees of Harrah's New Zealand Inc., the company which provided operator services to Sky City until 30 June 1998, and personnel seconded to it by Harrah's Entertainment, Inc. Harrah's personnel were not included in the employee remuneration schedule in previous years as they were not employees of the Sky City Group.

WAIVERS FROM THE NEW ZEALAND STOCK EXCHANGE (NZSE) LISTING RULES

The NZSE granted certain waivers from its listing rules as part of Brierley Investments Limited's public offer of its shares in Sky City Limited. The waivers still applicable as at 30 June 1999 are:

- a partial waiver from section 4 of the listing rules as it applies to "Restricted Transfers" and "Compulsory Acquisitions" of the instalment receipt as a separate class of securities. The waiver was granted on the basis that holdings of shares and instalment receipts would be aggregated for the purpose of the provisions of section 4. In effect, the provisions of section 4 will apply to transfers of instalment receipts as if those instalment receipts had already converted into shares.
- a waiver from listing rule 10.5.3(b) requiring disclosure of the twenty largest shareholders in Sky City Limited in the Annual Report, on the condition that the top twenty shareholders in Sky City Limited (treating the instalment receipts as if they had converted into shares) are disclosed in the Annual Report. The waiver was granted on the basis that the holding of shares by the Instalment Receipt Trustee is to be ignored. The holding of shares and instalment receipts of each of the twenty persons are to be set out separately and in aggregate. The waiver was also conditional on separate disclosures being made in respect of holdings of shares and instalment receipts for the purposes of the disclosures required under listing rule 5.10.3(c) (shares and instalment receipt holdings by directors and their associates) and listing rule 10.5.3(d) (spread of security holders).

The effect of all other waivers granted had ceased by balance date.

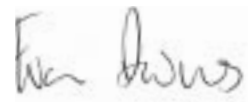
EVENTS SUBSEQUENT TO BALANCE DATE

The directors are not aware of any matter or circumstance since the end of the financial year, not otherwise dealt with in this report, that has significantly or may significantly affect the operations of Sky City Limited or any of its subsidiary companies.

The 1999 Annual Report of Sky City Limited is signed on behalf of the Board by the following two directors:



J.P. Hartley, Chairman
17 September 1999



E.W. Davies, Managing Director
17 September 1999

Twenty Largest Shareholders* as at 31 August 1999		No. of shares	No. of instalment receipts	Total No. of shares and instalment receipts	% of issued capital
1	Permanent Trustee Australia Limited	2,826,850	2,157,938	4,984,788	5.2%
2	Capital Research & Management Co		4,800,000	4,800,000	5.0%
3	PTA Nominees Limited		3,356,523	3,356,523	3.5%
4	State Street Bank and Trust Company	2,513,706	786,780	3,300,486	3.4%
5	The Trustees Executors and Agency Company of New Zealand Limited	2,622,074	203,624	2,825,698	2.9%
6	The Prudential Assurance Company New Zealand Limited	1,737,885	70,000	1,807,885	1.9%
7	Accident Rehabilitation and Compensation Insurance Corporation	1,636,000		1,636,000	1.7%
8	Bank of New York Brussels Branch	133,600	1,111,120	1,244,720	1.3%
9	National Mutual Life Association of Australasia Limited	902,451	335,900	1,238,351	1.3%
10	AMP Superannuation Tracker Fund	1,205,155		1,205,155	1.3%
11	Citibank Nominees (New Zealand) Limited		1,145,000	1,145,000	1.2%
12	Prudential Assurance Co NZ Ltd - PAN Fund	1,023,465		1,023,465	1.1%
13	Henderson Far East Income Trust Plc		1,020,000	1,020,000	1.1%
14	Newburg Nominees Limited	905,300	30,000	935,300	1.0%
15	Sheath Holdings - Strategic New Zealand Equity Income Trust	359,317	518,801	878,118	0.9%
16	HSBC Nominees (New Zealand) Limited	538,951	322,866	861,817	0.9%
17	Premier Nominees Limited		851,800	851,800	0.9%
18	AMP Life Limited	830,575		830,575	0.9%
19	Mercantile Mutual Life Insurance Company Limited		817,841	817,841	0.8%
20	Brown Brothers Harriman & Co	236,000	506,560	742,560	0.8%
Total		17,471,329	18,034,753	35,506,082	37.0%

* As described on page 62, the New Zealand Stock Exchange granted Sky City a waiver from compliance with the listing rule which requires disclosure of the twenty largest shareholders in Sky City Limited. The effect of the waiver is to require that the Annual Report shows the twenty largest holders of both ordinary shares and instalment receipts in aggregate. The holding of shares by the Instalment Receipt Trustee has not been taken into account for the purposes of the table.

The analysis as set out above has been compiled based upon information provided by Computershare Registry Services Limited, NZCSD Limited, ANZ Nominees Limited, National Nominees Limited and Chase Nominees Limited.

Distribution of Ordinary Shares and Registered Shareholdings as at 31 August 1999

Size of holding	Number of shareholders	Number of shares	Number of instalment receipt holders	Number of instalment receipts	Total number of holders	Total shares and instalment receipts
1 - 499	476	109,338	85	25,514	561	134,852
500 - 999	556	333,443	10,101	5,774,710	10,657	6,108,153
1,000 - 4,999	953	1,652,019	7,027	13,939,412	7,980	15,591,431
5,000 - 9,999	141	793,071	948	5,663,134	1,089	6,456,205
10,000 - 49,999	74	1,033,347	537	9,016,649	611	10,049,996
Over 50,000	70	29,249,382	96	28,679,081	166	57,928,463
Total	2,270	33,170,600	18,794	63,098,500	21,064	96,269,100

Substantial Security Holders

As at 17 September 1999, Colonial First State Investment Managers (NZ) Limited had given notice in accordance with the New Zealand Securities Amendment Act 1988, that it is a substantial security holder in the company and had a relevant interest (New Zealand and Australia) in 12,639,506 (13.1%) ordinary shares of the company. This interest is held via 8,789,504 shares and 3,850,002 instalment receipts.

Executive Personnel

Sky City Limited

Evan Davies
Managing Director and Chief Executive Officer

Michael Caban
General Manager Gaming - Group

Stephen Dey
General Manager Finance - Group

David Glen
Manager Business Risk

Bryce Morrin
Manager Development

Alistair Ryan
General Manager Corporate and Treasury

Andrew Webster
Manager Legal

Sky City Auckland Limited

Kevin Riley
Chief Operating Officer

Stephen Donaghy
General Manager Property Services

Michele Elsmore
General Manager Finance - Auckland

Gregory Hawkins
General Manager Gaming Machines

Hans Hintermann
General Manager Service Quality

Jan Hunt
General Manager Hotel and Sky Tower

Philip Keber
General Manager Employment Services

Peter Lawrence
General Manager Table Games, Player Development and VIP Services

Heather Shotter
General Manager Marketing, Sales, Communications and Entertainment

Damian Swaffield
General Manager Information Services

Lindsay Todd
General Manager Security and Surveillance

DIRECTORY

Registered Office

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Solicitors

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IBM Centre
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Rudd Watts and Stone
BNZ Tower
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P O Box 3798
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Bankers

ANZ Banking Group
(New Zealand) Limited

Bank of New Zealand Limited

The Hongkong and Shanghai
Banking Corporation Limited

ASB Bank Limited

Auditor

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Share Registrar and
Instalment Receipt Registrar

Computershare Registry
Services Limited
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Instalment Receipt Trustee

The New Zealand Guardian
Trust Company Limited
105 Queen Street
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