

COMMERCE ACT 1986: BUSINESS ACQUISITION
SECTION 66:
NOTICE SEEKING CLEARANCE

Date: 20 May 2013

The Registrar
Mergers and Authorisations
Commerce Commission
PO Box 2351
WELLINGTON
registrar@comcom.govt.nz

Pursuant to s66(1) of the Commerce Act 1986 notice is hereby given seeking **clearance** of a proposed business acquisition.

OVERVIEW

The history of casino development in New Zealand has been to allow only one operator in those regions where casinos have been licensed, except Queenstown. That exception is anachronistic as, of all the regions where casinos are licensed, Queenstown is least able, by virtue of its size, to support two (even small) casinos. Moreover, because both of those casinos are small, they are each unable to provide the full casino experience required to attract premium gamblers and to provide the standard of offering available at other casinos throughout New Zealand.

The current owner of Wharf Casino is seeking to exit. SKYCITY wishes to enhance its casino offering in Queenstown as a premier destination. However, there is a moratorium on the issue of further casino venue licences under the Gambling Act 2003 and SKYCITY's existing casino venue licence for SKYCITY Queenstown Casino is limited to just 12 tables. SKYCITY must have greater flexibility than that to be able to attract VIP gamblers to SKYCITY Queenstown Casino. Acquiring the existing casino venue licence for Wharf Casino would enable SKYCITY to potentially reconfigure and enhance its offering in Queenstown (albeit, necessarily in conjunction with the Gambling Commission).

As casino gambling is heavily regulated and there is no price competition per se, there is little in what casinos offer that could be said to be competitively discretionary such that, as a "monopolist", a casino could raise its prices or lower its services. The greatest constraints on casinos are non-consumption and the need to be attractive to gamblers. There is no reason to believe that "ordinary" gamblers (as defined by the Commission in Decision No. 523) will be disadvantaged by the proposal to leave only one casino operator in Queenstown (just as they are not in every other region there is a single casino). In particular, VIP gamblers demand high levels of service and a casino cannot deliver that to them and discriminate against ordinary gamblers (except to the extent based on the higher amounts VIP gamblers "pay"). SKYCITY's strategies are set on a national basis and its service offering is determined the same way, by what it perceives it needs to offer to attract gamblers through its doors (particularly premium gamblers through the rest of its network). Its strategies are not driven to any extent by the presence of Wharf Casino, and there will be no detrimental competitive impact by virtue of the proposal.

PART I: TRANSACTION DETAILS

1. PERSON GIVING NOTICE

- 1.1. This notice is given by:

SKYCITY Entertainment Group Limited ("**SKYCITY**")

Peter Treacy
General Counsel and Company Secretary
Federal House
86 Federal Street
Auckland 1010

Phone: (09) 363 6000

Facsimile: (09) 363 6140

Website: <http://www.skycityentertainmentgroup.com/>

- 1.2. All correspondence and notices in respect of this application should be directed in the first instance to:

Matthew Dunning
Barrister
Park Chambers
PO Box 5844
Wellesley Street
Auckland

Ph: (09) 379 9780

Fax: (09) 377 0361

Email: mdunning@parkchambers.co.nz

2. OTHER PARTICIPANT(S)

- 2.1. The target business is Otago Casinos Limited ("**OCL**").

C/- Deloitte
Level 13
Otago House
481 Moray Place
Dunedin 9016

- 2.2. OCL requests that all correspondence and notices in respect of this application should be directed in the first instance to:

Anderson Lloyd
Ben Johnston
Partner/Owner
18a Birmingham Drive
Middleton
PO Box 13831

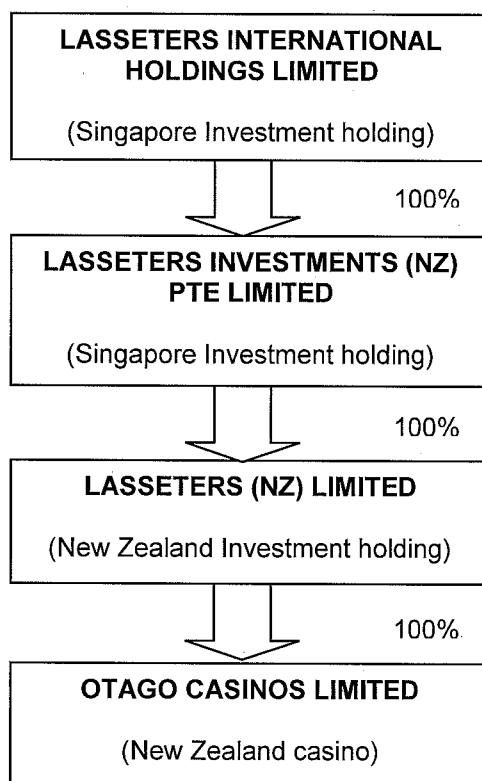
Christchurch 8141

Telephone: (03) 335 1230

Email: ben.johnston@andersonlloyd.co.nz

3. ORGANISATIONAL STRUCTURE/ INTERCONNECTED AND ASSOCIATED PARTIES/LINKS

- 3.1. **Acquirer:** SKYCITY is a company domiciled in New Zealand and the parent company of the SKYCITY Entertainment Group. SKYCITY is publicly listed on the New Zealand and Australian Stock Exchanges.
- 3.2. **Target:** OCL is a company domiciled in New Zealand and a wholly-owned subsidiary of Lasseters International Holdings Limited ("**Lasseters**"), a company domiciled in Singapore and publicly listed on the Singapore Stock Exchange. A structural diagram is as follows:



4. DETAILS OF TRANSACTION

- 4.1. Clearance is sought for SKYCITY to acquire 100% of the shares in OCL, which owns and operates Wharf Casino in Queenstown. OCL is the holder of the casino venue licence and casino operator's licence for Wharf Casino, each issued by the former Casino Control Authority (now the Gambling Commission).

5. COMMERCIAL RATIONALE FOR PROPOSAL

- 5.1. There are currently six casinos operating in New Zealand. SKYCITY owns and operates (via wholly-owned subsidiaries) three of those casinos (including SKYCITY Queenstown Casino) and OCL owns and operates one

(Wharf Casino in Queenstown). Christchurch Casino (<http://www.chchcasino.co.nz/>), by virtue of the recent transaction referred to in paragraph 11.2 below, is owned by Skyline Enterprises Limited and Queenstown Tourist Co Limited. Dunedin Casino (<http://www.dunedincasino.co.nz/>) is owned by Christchurch Casinos Limited and various other individuals – see the Companies Office company extract attached as **Appendix 1**.

- 5.2. Each of the three SKYCITY casino complexes referred to above features a casino and associated services, including entertainment and food and beverage outlets. In addition, SKYCITY Auckland Casino also features two hotels, a theatre and the Sky Tower attraction. SKYCITY Queenstown Casino is by far the smallest of the SKYCITY owned and operated casino complexes (noted in Decision No. 523 at paragraph 34 as “*regarded by industry players as a boutique casino*”), featuring a bar/bistro and 12 gaming tables and 86 gaming machines (as limited by the terms of its casino venue licence).
- 5.3. The Wharf Casino complex has 6 gaming tables and 73 (of a permissible 74) gaming machines (also limited by the terms of its casino venue licence) and provides access to a bar/bistro.
- 5.4. Both SKYCITY Queenstown Casino and Wharf Casino operate in a challenging environment given the population in Queenstown (even at peak tourist times) and due to gaming machine products also being available at a number of pubs and clubs around them and the range of other entertainment/hospitality options in the area. SKYCITY can, to some extent, drive visitation from its VIP customers to SKYCITY Queenstown Casino via its network and other casinos in New Zealand (and by this proposal seeks to enhance its ability to do so).
- 5.5. OCL, however, relies predominantly on “ordinary” gamblers. As SKYCITY understands, considerable investment would be required to upgrade the offering at Wharf Casino, but insufficient economies of scale and scope prevent the required return as a stand alone casino. [

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- 5.6. In order to own a casino in New Zealand, it is necessary to hold a casino venue licence. However, section 10 of the Gambling Act 2003 provides that “*no new casino venue licences may be granted under [that] Act*”. Therefore, should Lasseters exit the Queenstown and New Zealand markets and there is no willing third party purchaser of the Wharf Casino business who is also able to meet Gambling Commission criteria (which SKYCITY believes there is not) the casino venue licence issued in relation to Wharf Casino will lapse.
- 5.7. As noted above, SKYCITY also faces challenges in Queenstown at the current time, but it can at least use its existing network to drive visitation of high spending VIPs (which is a very significant part of its business elsewhere) to Queenstown. Whilst those customers would like Queenstown as a destination, they would expect to receive the same premium service they receive elsewhere in terms of table limits, separate gaming areas and special

VIP treatment. SKYCITY's ability to provide that premium service in Queenstown has been hampered by the limitations of the SKYCITY Queenstown Casino as the total number of gaming tables permitted under the terms of its existing casino venue licence mean few gaming tables can be made available for VIPs exclusively.

- 5.8. SKYCITY wishes to acquire Wharf Casino as this would provide an opportunity to increase its economies of scale and scope (by taking over the existing casino venue licence for Wharf Casino) and for SKYCITY to potentially reconfigure, expand and enhance its core gaming business and performance in Queenstown (necessarily in consultation with the Gambling Commission).

6. TRANSACTION DOCUMENTS

- 6.1. The following transaction documents are attached to this notice:

- 6.1.1. Letter dated 30 January 2013, attached to this notice as **Appendix 2 (confidential)**; and
- 6.1.2. Agreement for Sale and Purchase of Shares in Otago Casinos Limited dated 17 May 2013, attached to this notice as **Appendix 3 (confidential)**.

7. OTHER COMPETITION AGENCIES

- 7.1. The proposed acquisition is not part of an international merger and does not affect markets outside New Zealand. Accordingly, the proposed acquisition has not been notified to competition authorities in any other jurisdiction.

PART II: THE INDUSTRY

8. GOODS OR SERVICES SUPPLIED

8.1. In line with previous Commission consideration of this industry, the merger parties can be said to supply casino entertainment services, but Wharf Casino operates predominantly in the market for ordinary gamblers (as defined in section 12 below).

9. INDUSTRIES AFFECTED

9.1. Gambling.

10. CURRENT INDUSTRY TRENDS

10.1. The gambling industry is overseen by the Department of Internal Affairs (“DIA”) (<http://www.dia.govt.nz/Gambling>) and the Gambling Commission (<http://www.gamblingcommission.govt.nz/>).

10.2. The DIA collects statistics relating to the four categories of gambling activities in New Zealand: non-casino gaming machines (“NCGMs”, for which a Class 4 licence is required from the Gambling Commission), casinos, lotteries and racing.

10.3. Lotto is the most common form of gambling undertaken in New Zealand.¹ However, NCGMs account for by far the greatest spend and generates the most gambling-related harm.² Of the total amount of just over \$2 billion spent in 2012 on gambling activities in total, the TAB accounted for \$286 million, the Lotteries Commission \$418 million, casinos \$509 million and NCGMs (outside casinos) \$854 million.³

10.4. DIA Gambling Expenditure Data reveals that gambling expenditure rose significantly over the period since 1987, rising to \$2 billion by 2004, where it has remained since, driven mostly by the growth of NCGMs - although NCGM expenditure declined from 47% overall in 2007 to 44% in 2011, and casino expenditure also declined slightly, whereas lotteries expenditure increased from 16% to 21% and racing expenditure also increased slightly⁴. The Gambling Commission has identified a “*shift in both expenditure and presentations [of problem gamblers] away from NCGMs, and towards Lotteries Commission...and NZ Racing Board...products*”.⁵

¹ Report by Synergia Limited to the Gambling Commission in support of its report to Ministers on Proposed Problem Gambling Levy (November 2012), section 4: “Trends in Gambling and Related Harm”, page 22.

² Gambling Commission report to Ministers on Proposed Problem Gambling Levy (November 2012), page 1: [http://www.gamblingcommission.govt.nz/GCwebsite.nsf/Files/ProblemGamblingReport12/\\$file/PGLReport2012.pdf](http://www.gamblingcommission.govt.nz/GCwebsite.nsf/Files/ProblemGamblingReport12/$file/PGLReport2012.pdf)

³ DIA Gambling Expenditure Statistics: <http://www.dia.govt.nz/Resource-material-Information-We-Provide-Gaming-Statistics?OpenDocument#two>

⁴ Synergia Report, page 27.

⁵ See footnote 2 above.

- 10.5. As at 30 June 2012,⁶ there were 361 licensed Class 4 gambling operators and 1,400 gaming machine venues in New Zealand – accounting for a total of 17,943 gaming machines (a decline from 25,221 in 2003).⁷
- 10.6. There is as much made on gaming machines in each of Otahuhu, Howick and Papatoetoe as there is in Auckland City, more in each of Manurewa, Waitakere City, Whanganui District and Whangarei Central, and twice as much as Auckland City is made in each of Manukau City and Tauranga (Gaming Machine Profits (GMP) Data, [http://www.dia.govt.nz/pubforms.nsf/URL/DetailedGMPData-December2012.pdf/\\$file/DetailedGMPData-December2012.pdf](http://www.dia.govt.nz/pubforms.nsf/URL/DetailedGMPData-December2012.pdf/$file/DetailedGMPData-December2012.pdf)).
- 10.7. Over recent years, there has also been a significant increase in online gambling products.⁸

11. PREVIOUS ACQUISITIONS AND COMMISSION NOTIFICATIONS

- 11.1. The last notification to, and consideration by, the Commission appears to be Decision No. 523, 18 May 2004 (*SKYCITY Entertainment Group Limited/Aspinall (NZ) Limited*), when the Commission cleared the acquisition by SKYCITY of all the shares in Aspinall. By virtue of that transaction, SKYCITY acquired a 30.7% shareholding and a further 9.8% beneficial interest in Christchurch Casinos Limited (“CCL”).
- 11.2. The last acquisitions in the industry appear to be:
- 11.2.1. the disposal by SKYCITY of its 33.3% shareholding and further 16.7% beneficial interest in CCL to Skyline Enterprises Limited, another major shareholder in CCL, on 20 December 2012; and
- 11.2.2. the acquisition by SKYCITY of the remaining 40% shareholding in Queenstown Casinos Limited from Skyline Enterprises Limited, the other major shareholder in Queenstown Casinos Limited, on 20 December 2012.

⁶ Annual Report of Gambling Commission to 30/6/12:
[http://www.gamblingcommission.govt.nz/GCwebsite.nsf/Files/AnnualReport2012/\\$file/AnnualReport2012.pdf](http://www.gamblingcommission.govt.nz/GCwebsite.nsf/Files/AnnualReport2012/$file/AnnualReport2012.pdf)

⁷ Annual Report, page 3

⁸ For completeness, it has been announced recently that as part of the agreement whereby SKYCITY will build a National Convention Centre in Auckland, SKYCITY will receive certain concessions in respect of its casino operations in Auckland. However, this has no relevant regulatory impact in respect of SKYCITY Queenstown Casino or this application.

PART III: MARKET DEFINITION

HORIZONTAL AGGREGATION

12. MARKET DIMENSIONS

- 12.1. In Decision No. 523, the Commission concluded "casino entertainment" was delivered in:
- 12.1.1. regional casino entertainment markets for ordinary gamblers; and
 - 12.1.2. a national casino entertainment market for premium gamblers.
- 12.2. Accordingly, the markets potentially affected by the proposed acquisition are:
- 12.2.1. the Queenstown casino entertainment market for ordinary gamblers; and
 - 12.2.2. the national casino entertainment market for premium gamblers.
- 12.3. Wharf Casino does not actively compete in the latter market (which the Commission acknowledged in Decision No. 523 at paragraphs 198 and 199), and that market is otherwise competitively constrained by the factors identified in that decision (namely, existing competitors in the form of international casinos, the ability of premium gamblers to readily switch to overseas casinos they visit and the importance of premium gambler visits to casinos). Accordingly, SKYCITY is of the view that competition in the national casino entertainment market for premium gamblers is unlikely to be substantially lessened by the acquisition. Please let us know if further information about the national casino entertainment market for premium gamblers is required to support this conclusion.
- 12.4. The focus of the remainder of this application is the Queenstown casino entertainment market for ordinary gamblers.

13. PRODUCT DIFFERENTIATION

- 13.1. As acknowledged in Decision No. 523 at paragraphs 114 to 124, "*premium gambling has developed as a differentiated product internationally and to a degree here in New Zealand.*"
- 13.2. As noted above, some differentiation exists between SKYCITY Queenstown Casino and Wharf Casino insofar as the latter does not actively compete in the market for premium gamblers and relies predominantly on ordinary gamblers. No Baccarat gaming tables are currently operational for instance, and there is no live entertainment. Although it has a bar/bistro, that area appears disconnected from the casino itself, and there are other limitations of its premises. Generally, SKYCITY is of the view that there is little at Wharf Casino to effectively distinguish it from a Class 4 gaming establishment (of which there are many, such as sports bars and pubs). At SKYCITY Queenstown Casino, the split in revenue between gaming machines and gaming tables is approximately [], whereas at Wharf Casino it is more biased towards gaming machines.

VERTICAL INTEGRATION

14. **CREATION/STRENGTHENING OF VERTICAL INTEGRATION**

- 14.1. There are no vertical integration issues raised by virtue of the proposed acquisition.

PART IV: COUNTERFACTUAL

15. COUNTERFACTUAL

- 15.1. As noted in section 5 above, Queenstown is a challenging environment for two casinos to operate in profitably, but particularly for Wharf Casino which does not actively compete for premium gamblers and does not have the network that SKYCITY has to “feed” into Queenstown.
- 15.2. Moreover, Wharf Casino is the only remaining casino in New Zealand that still uses “Dacom” gaming system software supported by Aristocrat. All other casinos have adopted the newer Bally gaming system technology. Aristocrat has previously advised that it would be withdrawing support in New Zealand for Dacom after Christchurch Casino moved to the Bally system in March 2013. Accordingly, Wharf Casino currently has an end of life system that requires replacement at a cost of at least \$500,000 (in addition to likely machine hardware upgrade costs).
- 15.3. No other region in New Zealand has more than one casino. SKYCITY is of the view that another party is unlikely to acquire Wharf Casino, since they would similarly struggle to provide the necessary range of services, profitably, to attract not only ordinary gamblers but (more importantly to ongoing viability) premium gamblers as well. In addition, they would also need to satisfy Gambling Commission criteria as to suitability.
- 15.4. A new entrant would be unlikely to want to take on such a proposition. Overseas casino operators would unlikely be interested - Aspinall left New Zealand by way of Decision No. 523 and Lasseters is looking to do the same by virtue of the current proposal. A local operator would similarly not be interested for the same reasons

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15.5. [

15.6. Accordingly, possible counterfactuals are:

15.6.1. the business carries on in its current form

15.6.2.

PART V: COMPETITION ANALYSIS

EXISTING COMPETITORS

16. CURRENT COMPETITORS

Casino business

- 16.1. There are and will continue to be a number of reasons why no competition concerns should arise from SKYCITY becoming the only casino operator in the Queenstown casino entertainment market for ordinary gamblers.
- 16.2. SKYCITY endorses the observations in Decision No. 523 (at paragraphs 204 and 205) that “[r]egardless of whether a customer is an ordinary or premium gambler, casinos seek to encourage that gambler to return as often as possible to the casino...Casinos are competing primarily against non-consumption...”.
- 16.3. The background and policy of the regulatory regime enabling casinos to begin operating in New Zealand contemplated single operators in each region, unconcerned about concepts of competition and any implications which might arise from that.¹⁰ Four of the existing six casinos operate in the absence of a local competitor casino (in Auckland, Hamilton, Christchurch and Dunedin), which is also common in Australia (apart from the Gold Coast). The two small casinos operating in the same area in Queenstown are the exception.¹¹ There is no reason to believe that the level of services offered at SKYCITY Queenstown Casino post-acquisition will be any lower than now, nor any lower than what is offered by SKYCITY at its other casinos (subject to obvious differences in facilities).

Table games

- 16.4. Table games are subject to the rules of the games, as set out on the Gambling Commission’s website, and cannot be altered by an assumed monopolist (true of all casinos in all regions).

Gaming machines

- 16.5. Gaming machines are subject to regulation regarding the minimum payout percentage (“**return to player percentage**” or “**RTP percentage**”), which must be no less than 87% on each gaming machine.
- 16.6. RTP percentages can differ from site to site depending on the game type and denomination mix of available gaming machines.
- 16.7. SKYCITY Queenstown Casino operates mainly 2 cent gaming machines from a denomination mix of 3 x 1 cent gaming machines, 71 x 2 cent gaming machines, 5 x 5 cent gaming machines, 3 x 10 cent gaming machines and 4 x

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¹¹

Originally, the Casino Control Act provided for no more than one licence for each island. New Zealand is unlike the casino market in the United Kingdom, which evolved from a range of small site, local “gentlemen’s clubs” and without the large site operations found in New Zealand, Australia and Asia. The multiplicity of competitors in a range of local sites makes the incumbent competitive landscape wholly different from that in New Zealand, leading to econometric analysis of competition not dissimilar to the approach to supermarkets in New Zealand, and of limited assistance to analysis of competition issues here.

\$1 gaming machines. SKYCITY Hamilton Casino also operates mainly 2 cent gaming machines, but from a denomination mix of 32 x 1 cent gaming machines, 188 x 2 cent gaming machines, 55 x 5 cent gaming machines, 21 x 10 cent gaming machines, 2 x 20 cent gaming machines and 41 x \$1 gaming machines.

- 16.8. Each new gaming machine is approved by the DIA and most are approved with a range of RTP percentages.¹² Attached in **Appendix 4 (confidential)** is a copy of a report issued by [

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- 16.9. The RTP percentage for a particular gaming machine is available for players to view at any time on the "Player Information Display" (PID) on that gaming machine. In addition, a gaming machine's operating chip, which records all play data, can be checked by the DIA as required. If a gaming machine is too 'tight' (ie, with not enough features or wins), players will not play on it and, consequently, gaming machine turnover and the win per unit per day ("WPUPD") for that gaming machine will decline.
- 16.10. Determining the payout percentage above the minimum (if any) is a consideration for all gaming machine operators, of which there are a considerable number (see section 10 above). However, there tends to be little variation in payout percentages as players are very sensitive to what they are (based on customer comments in that regard). An operator is better off if a gaming machine is being used regularly rather than being idle and, therefore, needs to ensure that its RTP percentages are sufficiently attractive to players. SKYCITY Queenstown Casino will usually seek advice from SKYCITY Auckland Casino and the relevant gaming machine manufacturer as to what the RTP percentage should be for a particular gaming machine so as to ensure its gaming machine products perform at their best.
- 16.11. Regularly investing in new gaming machine products is essential to maintaining and growing revenue, with many casinos upgrading and/or replacing around 15-20% of their gaming machines each year. [

] A lack of regular investment results in decreased turnover and average WPUPD and it becomes more expensive to replace more products at a later date.

- 16.12. Gaming machine manufacturers regularly release new games and new gaming machine boxes making old models obsolete and difficult to maintain.

¹²

The 5 cent gaming machines at SKYCITY Queenstown, however, are mainly Jetsetters from International Game Technology, which have the same RTP of 95% regardless of what denomination they are in.

Equally, players are constantly looking for new themes and features with stand alone jackpots currently being very popular.

- 16.13. SKYCITY Queenstown Casino is primarily a tourist casino. Many of its visitors are from Australia and expect the latest and greatest machines on the market. [

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- 16.14. Like other SKYCITY properties and most casinos in Australia, SKYCITY Queenstown Casino works closely with gaming machine manufacturers to keep products fresh. The SKYCITY Queenstown Casino General Manager:

16.14.1. attends the Australasian Gaming Expo in Sydney every year to view the latest products and regularly meets with suppliers in Queenstown and Auckland;

16.14.2. receives reports from NSW (example from January attached as **Appendix 5 (confidential)**) showing performance data for new games, [] (as most are released in Australia before being available in the New Zealand market); and

16.14.3. reviews game performance data and ranking reports from SKYCITY Hamilton and SKYCITY Auckland and discusses game options with colleagues within the group.

- 16.15. SKYCITY regularly upgrades its gaming machines not only to maintain and grow revenue, but to offer a service level and range of products that people expect of a SKYCITY property. This is irrespective of what Wharf Casino is or is not doing or because of what Class 4 gaming establishments around it are doing. [

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- 16.16. At the end of the day, as the Commission has previously noted at paragraph 62 of Decision No. 523:

“The regulatory regime in New Zealand imposes restrictions on a wide range of casino operations, from the number of gaming machines and table games allowed to the payout percentages for the games operated by the casino. This leaves service levels and venue conditions as the primary differentiators between casinos.”

- 16.17. “Price”, therefore, is not the determining factor.

Service levels and venue conditions

- 16.18. Service levels and venue conditions are not discretionary in competition terms in this market, such that an assumed monopolist could manipulate them to consumers' disadvantage. For the following reasons, SKYCITY must continue to offer the best quality service levels and venue conditions that it can.

- 16.19. Firstly, SKYCITY must attract VIP gamblers (acknowledged previously by the Commission to be discerning and operating in a competitive market, which has not changed). Although ordinary gamblers are an important aspect of

revenue,¹³ *"the proportion that premium gamblers contribute to total casino revenue is significant"* and they *"therefore exert an influence on casinos"*.¹⁴ This is even more significant for a boutique casino such as SKYCITY Queenstown Casino.

16.20. In seeking to attract VIP gamblers, SKYCITY must offer suitable venue conditions and service levels. In doing so, ordinary gamblers receive the same, except insofar as VIPs may access other privileges, such as private rooms for instance (but which they effectively "pay" for by gambling more and generating a greater return for the casino, although they are not restricted to VIP areas and may also use the general gaming areas).

16.21. SKYCITY cannot discriminate in its venue conditions nor its general service levels between ordinary and premium gamblers - it is the same building, the same entrance, the same fit out (excluding private rooms accessible only by VIPs as referred to in paragraph 16.20 above), and the same entertainment. It could not "cross-subsidise", by lessening services to ordinary gamblers on the basis of an assumed monopoly, so as to provide higher levels of service into an area of competition (premium gamblers).

16.22. Secondly, even if it was possible to discriminate in the overall offering of "service levels and venue conditions" as between ordinary and premium gamblers (it isn't), SKYCITY cannot in any event ignore that it is competing against non-consumption (as referred to in paragraph 16.2 above) and the pricing/service levels in the hospitality industry that surrounds it. There are certain things any casino must have (a bar/restaurant, for example) and certain standards of hospitality required to overcome non-consumption - the imperative is to get people in to gamble, regularly enough, that the house makes money.

16.23. [

], there is generally no cover charge for live entertainment on Friday and Saturday nights (a small fee is charged for special occasions, such as a comedy night and a burlesque night held during the year) and the prices for food and beverages in the restaurant are relatively low.¹⁵ Food and beverage will not, post-acquisition, be priced above that provided generally in any number of bars, clubs and restaurants in the vicinity (as borne out by prices in those casinos already operating as "monopolies" in other regions).

16.24. As explained above, if the proposal proceeds then the long term objective will be to optimise the two licences together. However, in the meantime, it is inevitable that the two sites will continue to be operated separately (albeit Wharf Casino would obtain the benefit of upgraded gaming machines, systems and management) until appropriate reconfiguration can be determined in conjunction with the Gambling Commission. There would be no ability for SKYCITY to run one site for "ordinary" gamblers (and at some lesser level of service) and the other site for "premium" gamblers because each site would still have the same licence restrictions and configuration as now regarding the number of tables and gaming machines (which prevent the enhancement of offering to premium gamblers). A specialist premium/VIP gamblers' site would

¹³ "All casinos in New Zealand are considered "grind" casinos by industry participants... A grind casino is one that relies on local, non-premium players for the majority of its revenue.": Decision No. 523, paragraph 60.

¹⁴ Decision No. 523, paragraph 206.

¹⁵ The restaurant is also used by the general (non-gambling) lunchtime crowd, in competition with other food venues, and is therefore competitively priced.

typically offer table games only, yet neither site (a) has enough table games to justify that and (b) that would mean all the gaming machines at that site sat idle, which makes no economic sense (hence this proposal).

Other services?

- 16.25. SKYCITY Queenstown Casino runs promotions from time to time. There are casino promotions, event-specific promotions (e.g, NZPGA) and "goodie-bag" giveaways at conventions (e.g, drink offers and free bonus play chip offers). These will continue because they are not motivated by competition from Wharf Casino, rather by competition against non-consumption.
- 16.26. SKYCITY has in place a 'Premier Rewards' customer loyalty programme, whereby members can earn points from gaming and food and beverage spend. The higher the spend, the greater the benefits a member can obtain. This is no different from any other loyalty program - anyone aged 20 years or older can join, it is run nationally on the same basis subject to differences in facilities (so no change will occur by virtue of the acquisition) and anyone can earn the benefits subject to earning the requisite number of points.
- 16.27. Apart from the services set out above, it is difficult to identify what other components of service levels there might be that would be lowered as a result of the proposal. While SKYCITY is always aware, and keeps itself informed, of Wharf Casino's activities, it is not competition from Wharf Casino that influences SKYCITY's offering and its absence will make not the slightest difference to SKYCITY's approach.
- 16.28. There will, in fact, be increased incidental benefits for Queenstown, insofar as:
- 16.28.1. not having its own accommodation means there are no "captive" guests and SKYCITY Queenstown Casino is just another entertainment offering competing with all others;
 - 16.28.2. SKYCITY partners with hotels to provide accommodation for VIP gamblers and their guests and increased visits will benefit them; and
 - 16.28.3. other hospitality/tourism businesses in the area would also benefit.

These could be viewed as pro-competitive efficiencies, insofar as other entertainment/hospitality offerings in the region will also be required to be competitive with an enhancement by SKYCITY of its offering.

- 16.29. The proposal would bring all casino operations in Queenstown under the control of a highly professional, experienced operator, with responsible programmes, systems and regulatory controls. The applicant recommends that the Commission seeks the views of the responsible DIA officer in this regard.

17. MARKET SHARES

- 17.1. Market share figures are not important, given the market definition and that the proposal would lead to one casino operator in Queenstown, but the market shares will be the proportion each casino's revenue bears to the total revenues of both.

SOURCES OF ESTIMATES:

18. EXTENT OF CONSTRAINT BY POSSIBLE COMPETITIVE RESPONSE

- 18.1. Limited, in a casino entertainment market (premium gamblers specifically), but general constraint from the entertainment milieu in which the casino operates (being other gaming establishments and hospitality venues).

POTENTIAL COMPETITION

19. REQUIREMENTS FOR NEW ENTRY AND/OR IMPORTERS

- 19.1. Not applicable in respect of the casino entertainment market per se. There will be no new entrants into that market because it is not possible to obtain a new casino venue licence under the Gambling Act 1993.
- 19.2. New entry into the competing hospitality market (food and beverage) occurs frequently, and periodically in the competing gaming machine market.

20. CONDITIONS INFLUENCING ENTRY

- 20.1. Not applicable in respect of the Queenstown casino entertainment market for ordinary gamblers.

LETS TEST

21. LIKELY NEW ENTRANTS

- 21.1. Nil in respect of the Queenstown casino entertainment market for ordinary gamblers.

22. EXTENT ENTRY WOULD BE SUFFICIENT

- 22.1. Not applicable in respect of the Queenstown casino entertainment market for ordinary gamblers.

23. TIMELINESS OF ENTRY

- 23.1. Not applicable in respect of the Queenstown casino entertainment market for ordinary gamblers.

COUNTERVAILING POWER

24. CONSTRAINTS ON MARKET POWER BY THE CONDUCT OF BUYERS

- 24.1. In respect of premium gamblers, considerable (Decision No. 523).
- 24.2. "Non-consumption" is the hurdle. In respect of ordinary gamblers, customer feedback indicates that if customers are unhappy with the payout percentages on gaming machines or any other aspects of what is being offered, they simply will not visit the casino or visit as much. Casino customers can also lodge a complaint with the DIA.

25. IDENTITY OF TOP FIVE BUYERS

25.1. Not applicable.

COORDINATED MARKET POWER

26. CHARACTERISTICS POST-ACQUISITION FACILITATING OR IMPEDING COORDINATED BEHAVIOUR

26.1. Not applicable as effectively there will only be one casino operator in Queenstown if the proposal proceeds.

EFFICIENCIES

27. EFFICIENCIES RESULTING FROM ACQUISITION

27.1. As noted in paragraph 16.28 above, enhancement of SKYCITY's offering will facilitate competitive response from other entertainment/hospitality providers in the region.

OTHER FACTORS

28. ANY OTHER RELEVANT FEATURES OF MARKET

28.1. Nil.

29. DETAILS OF COMPETITORS/BUYERS, ETC

29.1. Not applicable.

PART VI: FURTHER INFORMATION AND SUPPORTING DOCUMENTATION

30. ANNUAL REPORTS

- 30.1. Copies of SKYCITY's and Lasseters' most recent annual reports are attached as **Appendix 6**.

PART VII: CONFIDENTIALITY

31. CONFIDENTIALITY

- 31.1. Confidentiality is sought for specific information contained in or attached to this Notice. This information has been removed from the Public Version of this Notice, as indicated by square brackets.
- 31.2. Confidentiality is sought indefinitely or until the parties advise the Commission that it can make public disclosure of particular details. Confidentiality is sought under section 9(2)(b) of the Official Information Act on the grounds that:
- 31.2.1. the information is commercially sensitive and valuable information which is confidential to the parties; or
 - 31.2.2. disclosure in the public version would inhibit the Commission's investigation; or
 - 31.2.3. disclosure of the information is likely to give unfair advantage to competitors of the parties and unreasonably prejudice the commercial position of the parties.
- 31.3. The parties also request that they are notified of any request made under the Official Information Act for the confidential information, and that the Commission seeks their views as to whether the information remains confidential and commercially sensitive at the time those requests are being considered.
- 31.4. The above applies equally in respect of any additional information provided to the Commission that is expressed to be confidential.

32. SCHEDULE OF CONFIDENTIAL INFORMATION

- 32.1. Clause 5.5 (last two sentences);
- 32.2. Clause 13.2 (figures in last sentence);
- 32.3. Clause 15.4 (second half of last sentence);
- 32.4. Clause 15.5;
- 32.5. Clause 15.6.1 (second half);
- 32.6. Clause 15.6.2;
- 32.7. Clause 16.8 (all except for first sentence);
- 32.8. Clause 16.11 (second sentence);
- 32.9. Clause 16.13 (third and fourth sentences);
- 32.10. Clause 16.14.2 (middle of sentence);

- 32.11. Clause 16.15 (last sentence);
- 32.12. Clause 16.23 (first line and a half);
- 32.13. Footnote 9; and
- 32.14. Appendices 2, 3, 4 and 5.

This Notice is given by:

Peter Treacy
General Counsel and Company Secretary
SKYCITY Entertainment Group Limited.

The company hereby confirms that:

- all information specified by the Commission has been supplied;
- if information has not been supplied, reasons have been included as to why the information has not been supplied;
- all information known to the applicant(s) which is relevant to the consideration of this application/notice has been supplied; and
- all information supplied is correct as at the date of this application/notice.

The company undertakes to advise the Commission immediately of any material change in circumstances relating to the application/notice.

Dated this 20 day of May 2013

Signed by **SKYCITY Entertainment Group Limited**

Peter Treacy
General Counsel and Company Secretary

I am an officer of the company and am duly authorised to make this application/notice.

APPENDIX 1



COMPANIES OFFICE



SCAN TO VIEW
OUR REGISTRATION DETAILS

Company Extract

DUNEDIN CASINOS LIMITED

837525

Entity Type:	NZ Limited Company
Incorporated:	06 Dec 1996
Current Status:	Registered
Constitution Filed:	Yes
Annual Return Filing Month:	May

Company Addresses

Registered Office

C/- Anderson Lloyd, Level 9 Otago House, Cnr Moray Place & Princes Str, Dunedin, NZ

Address for Service

C/- Anderson Lloyd, Level 9 Otago House, Cnr Moray Place & Princes Str, Dunedin, NZ

Directors

HAGAMAN, Earl Raymond
10 Coldstream Court, Christchurch, 8041, NZ

HAGAMAN, Lianna-merie
10 Coldstream Court, Christchurch, 8041, NZ

JOHNSTONE, William Hanlin
21 Glandovey Road, Fendalton, Christchurch, 8052, NZ

LESLIE, Warren Peter
11 Sunrise Bay Drive, Wanaka, Wanaka, 9305, NZ

MCLAUHLAN, Stuart James
3 Walsh Lane, Dunedin, 9010, NZ

THOMAS, Barry Charles
441 Peninsula Road, Kelvin Heights, Queenstown, 9300, NZ

THOMAS, Geoffrey Read
33 Drivers Road, Dunedin, 9010, NZ

Shareholdings



COMPANIES OFFICE

Company Extract

DUNEDIN CASINOS LIMITED 837525

Total Number of Shares:	6,000,000
Extensive Shareholdings:	No
2,520,000	HAGAMAN, Lianna-merie 10 Coldstream Court, Christchurch 8041
1,980,000	CHRISTCHURCH CASINOS LTD Level 4, 31 Victoria St, Christchurch
300,000	MCLAUHLAN, Stuart James 3 Walsh Lane, Dunedin
300,000	SCOTT, Brian George 24 Larkin Street, Helensburgh, Dunedin 9010, NZ
	SCOTT, Gregory Ernest 77 Walton Park Avenue, Fairfield, Dunedin, 9018, NZ
	SCOTT, Robert Anthony Scott's Ridge, 28 McMaster Road, Rd1, Dunedin, 9076, NZ
	SCOTT, Trudy Margaret Andelina Scott's Ridge, 28 McMaster Road, Rd1, Dunedin, 9076, NZ
	SCOTT, Vicki June 20 Sutcliffe Street, St Clair, Dunedin 9012, NZ
300,000	MCLACHLAN, Graeme 24 Grendon Street, Maori Hill, Dunedin 9010, NZ
	MCLAUHLAN, Stuart James 3 Walsh Lane, Dunedin
	SYCAMORE, Tony Jason 39a Claremont Street, Maori Hill, Dunedin, 9010, NZ
150,000	THOMAS, Geoffrey Read 33 Drivers Road, Dunedin, NZ
150,000	LESLIE, Warren Peter



COMPANIES OFFICE

Company Extract

DUNEDIN CASINOS LIMITED 837525

11 Sunrise Bay Road, Ripponlea, Wanaka, NZ

150,000

CUMMINGS, Yvonne
Kimbercryst, R D 2, East Taieri, NZ

150,000

CLEAR, Anthony Grant
Level 8, Radio Otago House, 248 Cumberland Street, Dunedin, NZ

985076

WEBB FARRY LIMITED

79 Stuart Street, Dunedin Central, Dunedin, 9016, NZ

For further details relating to this company, check <http://www.companies.govt.nz/co/837525>
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APPENDIX 2

CONFIDENTIAL

APPENDIX 3

CONFIDENTIAL

APPENDIX 4

CONFIDENTIAL

APPENDIX 5

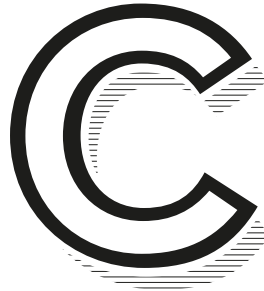
CONFIDENTIAL

APPENDIX 6

THE A R

ANNUAL REPORT YEAR ENDED 30 JUNE 2012





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ANNUAL MEETING

The 2012 annual meeting of SKYCITY Entertainment Group Limited will be held in the New Zealand Room, SKYCITY Auckland Convention Centre, 88 Federal Street, Auckland, on Friday 19 October 2012, commencing at 10.00am.

This report is dated 17 September 2012 and is signed on behalf of the board of directors of SKYCITY Entertainment Group Limited by:

Rod McGeoch
Chairman

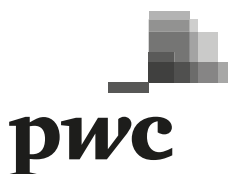
Chris Moller
Director

FINANCIAL STATEMENTS AND NOTES

FOR THE YEAR ENDED 30 JUNE 2012



INDEPENDENT AUDITORS' REPORT



to the shareholders of SKYCITY Entertainment Group Limited

Report on the Financial Statements

We have audited the financial statements of SKYCITY Entertainment Group Limited ("the Company") on pages 4 to 46, which comprise the balance sheets as at 30 June 2012, the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 30 June 2012 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

CONTINUED

Opinion

In our opinion, the financial statements on pages 4-46:

- (i) comply with generally accepted accounting practice in New Zealand;
- (ii) comply with International Financial Reporting Standards; and
- (iii) give a true and fair view of the financial position of the Company and the Group as at 30 June 2012, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2012:

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

Restriction on Distribution or Use

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



Chartered Accountants
15 August 2012

Auckland

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2012	NOTES	CONSOLIDATED		PARENT	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Total receipts including GST	3	960,203	902,381	-	-
Less non-gaming GST	3	(26,398)	(22,562)	-	-
Gaming win plus non-gaming revenue	3	933,805	879,819	-	-
Less gaming GST	3	(82,275)	(76,674)	-	-
Revenue	3	851,530	803,145	-	-
Revenue	3	851,530	803,145	-	-
Other income	4	1,928	1,261	110,178	100,133
Shares of net profits of associates		5,447	5,976	-	-
Employee benefits expense		(276,642)	(260,676)	(22,117)	(18,458)
Other expenses	5	(100,354)	(92,623)	(3,782)	(6,391)
Direct consumables		(62,190)	(52,607)	-	-
Gaming taxes and levies		(64,039)	(61,275)	-	-
Marketing and communications		(49,909)	(44,886)	(441)	(1,197)
Directors' fees		(1,034)	(741)	(1,034)	(741)
Depreciation and amortisation expense	5	(72,770)	(69,710)	(5,561)	(5,958)
Restructuring costs	5	(4,274)	(3,298)	(2,093)	-
Finance costs - net	6	(48,861)	(43,772)	(4,171)	(3,908)
Impairment of Christchurch Casino	15	-	(15,000)	-	-
Profit before income tax		178,832	165,794	70,979	63,480
Tax expense pre 2010 Government Budget changes	7	(39,962)	(48,226)	-	-
Profit for the year before tax expense relating to 2010 Government Budget changes		138,870	117,568	70,979	63,480
Tax expense relating to 2010 Government Budget changes		-	5,435	-	-
Profit for the year		138,870	123,003	70,979	63,480
Income tax expense		(39,962)	(42,791)	-	-
Attributable to:					
Profit attributable to shareholders of the company		138,534	122,960	70,979	63,480
Non controlling interest	24	336	43	-	-
		138,870	123,003	70,979	63,480
	NOTES	CENTS	CENTS		
Earnings per share for profit attributable to the shareholders of the company:					
Basic earnings per share	8	24.0	21.4		
Diluted earnings per share	8	23.8	20.9		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012	NOTES	CONSOLIDATED		PARENT	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Profit for the year		138,870	123,003	70,979	63,480
Other comprehensive income					
Exchange differences on translation of overseas subsidiaries	23	(4,517)	5,397	-	-
Movement in cash flow hedges	23	(1,375)	(13,733)	593	(593)
Income tax relating to components of other comprehensive income	23	360	4,133	(166)	166
Other comprehensive income for the year		(5,532)	(4,203)	427	(427)
Total comprehensive income for the year, net of tax		133,338	118,800	71,406	63,053
Total comprehensive income for the year is attributable to:					
Shareholders of the company		133,002	118,757		
Non controlling interest	24	336	43		
		133,338	118,800		

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

BALANCE SHEETS

AS AT 30 JUNE 2012	NOTES	CONSOLIDATED		PARENT	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
ASSETS					
Current assets					
Cash and bank balances	9	41,400	104,577	1	1
Receivables and prepayments	10	26,974	30,900	153,629	87,376
Inventories		6,876	6,970	-	-
Tax prepayment	11	35,503	36,637	-	-
Derivative financial instruments	12	480	272	-	-
Total current assets		111,233	179,356	153,630	87,377
Non-current assets					
Tax prepayment	11	31,550	27,789	-	-
Property, plant and equipment	13	1,064,418	991,331	7,532	7,054
Investment in subsidiaries	30	-	-	618,775	618,775
Intangible assets	14	410,645	410,412	10,031	10,696
Investments in associates	15	75,266	73,782	-	-
Derivative financial instruments	12	23,154	-	-	-
Total non-current assets		1,605,033	1,503,314	636,338	636,525
Total assets		1,716,266	1,682,670	789,968	723,902
LIABILITIES					
Current liabilities					
Payables	16	107,186	110,851	344,768	250,997
Interest bearing liabilities	17	-	247,267	-	-
Current tax liabilities	11	7,972	5,349	-	-
Derivative financial instruments	12	664	10,102	-	113
Total current liabilities		115,822	373,569	344,768	251,110
Non-current liabilities					
Interest bearing liabilities	18	604,902	350,202	-	-
Subordinated debt - capital notes	19	56,414	56,400	56,414	56,400
Deferred tax liabilities	20	84,571	94,290	-	-
Derivative financial instruments	12	45,415	33,393	-	-
Total non-current liabilities		791,302	534,285	56,414	56,400
Total liabilities		907,124	907,854	401,182	307,510
Net assets		809,142	774,816	388,786	416,392
EQUITY					
Share capital	22	727,598	728,616	727,598	728,616
Reserves	23(a)	(1,850)	3,682	-	(427)
Retained profits/(losses)	23(b)	81,690	41,150	(338,812)	(311,797)
Parent entity interest		807,438	773,448	388,786	416,392
Non controlling interest	24	1,704	1,368	-	-
Total equity		809,142	774,816	388,786	416,392

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012	NOTES	SHARE CAPITAL \$'000	HEDGING RESERVES \$'000	FOREIGN CURRENCY TRANSLATION RESERVE \$'000	RETAINED PROFITS \$'000	MINORITY INTEREST \$'000	TOTAL EQUITY \$'000
CONSOLIDATED							
Balance as at 1 July 2010		732,910	(2,740)	10,625	17,397	1,325	759,517
Total comprehensive income/(expense)		-	(9,600)	5,397	122,960	43	118,800
Dividends	25	-	-	-	(99,207)	-	(99,207)
Shares issued under dividend reinvestment plan	22	6,101	-	-	-	-	6,101
Share rights issued for employee services	22	1,047	-	-	-	-	1,047
Net purchase of treasury shares	22	(11,442)	-	-	-	-	(11,442)
Balance as at 30 June 2011		728,616	(12,340)	16,022	41,150	1,368	774,816
Balance as at 1 July 2011		728,616	(12,340)	16,022	41,150	1,368	774,816
Total comprehensive income/(expense)		-	(1,015)	(4,517)	138,534	336	133,338
Dividends	25	-	-	-	(97,994)	-	(97,994)
Shares issued under dividend reinvestment plan	22	4,736	-	-	-	-	4,736
Share rights issued for employee services	22	1,426	-	-	-	-	1,426
Net purchase of treasury shares	22	(7,180)	-	-	-	-	(7,180)
Balance as at 30 June 2012		727,598	(13,355)	11,505	81,690	1,704	809,142
PARENT							
Balance as at 1 July 2010		732,910	-		(276,070)		456,840
Total comprehensive income/(expense)		-	(427)		63,480		63,053
Shares issued under dividend reinvestment plan	22	6,101	-		-		6,101
Dividends	25	-	-		(99,207)		(99,207)
Share rights issued for employee services	22	1,047	-		-		1,047
Net purchase of treasury shares	22	(11,442)	-		-		(11,442)
Balance as at 30 June 2011		728,616	(427)		(311,797)		416,392
Balance as at 1 July 2011		728,616	(427)		(311,797)		416,392
Total comprehensive income/(expense)		-	427		70,979		71,406
Shares issued under dividend reinvestment plan	22	4,736	-		-		4,736
Dividends	25	-	-		(97,994)		(97,994)
Share rights issued for employee services	22	1,426	-		-		1,426
Net purchase of treasury shares	22	(7,180)	-		-		(7,180)
Balance as at 30 June 2012		727,598	-		(338,812)		388,786

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

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2012	NOTES	CONSOLIDATED		PARENT	
		2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Cash flows from operating activities					
Receipts from customers		854,348	795,231	-	-
Payments to suppliers and employees		(490,574)	(469,413)	(25,785)	(26,204)
		363,774	325,818	(25,785)	(26,204)
Dividends received		3,968	747	-	-
Interest received		167	192	-	-
Gaming tax paid		(56,841)	(54,896)	-	-
Income taxes paid		(49,325)	(62,496)	-	-
Net cash inflow / (outflow) from operating activities	33	261,743	209,365	(25,785)	(26,204)
Cash flows from investing activities					
Purchase of/proceeds from property, plant and equipment		(153,689)	(74,822)	-	-
Payments for intangible assets		(11,008)	(1,893)	-	-
Loan repayment from Christchurch Hotels Limited		1,110	194	-	-
Dividend from subsidiaries		-	-	110,178	100,133
Net cash (outflow) / inflow from investing activities		(163,587)	(76,521)	110,178	100,133
Cash flows from financing activities					
Cash flows associated with derivatives	12	11,283	(20,884)	-	-
Repayment of borrowings		(264,450)	(362,359)	-	-
New borrowings		241,314	401,799	-	9,408
Advances from subsidiaries	29	-	-	19,700	25,547
Net purchase of treasury shares	22	(7,180)	(11,442)	(7,180)	(11,442)
Dividends paid to company shareholders		(93,258)	(93,106)	(93,258)	(93,106)
Interest paid		(49,042)	(44,781)	(3,655)	(4,336)
Net cash (outflows) from financing activities		(161,333)	(130,773)	(84,393)	(73,929)
Net (decrease) / increase in cash and bank balances		(63,177)	2,071	-	-
Cash and bank balances at the beginning of the year		104,577	102,506	1	1
Cash and cash equivalents at end of year	9	41,400	104,577	1	1

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

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

These financial statements have been approved for issue by the board of directors on 15 August 2012.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements for the year ended 30 June 2012 have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable New Zealand Financial Reporting Standards.

(a) Basis of Preparation

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

Compliance with IFRS

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

Entities Reporting

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 30 June 2012 and the results of all subsidiaries and associates for the year then ended.

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

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

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

The Group has a small negative working capital balance. The Group has significant available undrawn banking facilities totalling \$340 million as at 30 June 2012 (refer to note 18) and has the ability to fully pay all debts as they fall due.

Statutory Base

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

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

Measurement Basis

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

Critical Accounting Estimates and Judgements

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

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

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses (refer note 20). Certain judgements are made in calculating these temporary differences.

(b) Principles of Consolidation

(i) *Subsidiaries*

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

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

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

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

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

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

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

(ii) Transactions with non-controlling interests

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

(iii) Associates

Associates are all entities over which the Group has significant influence but not control, generally evidenced by holdings of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity's financial statements using the cost method and in the consolidated financial statements using the equity method of accounting,

after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

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

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

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

(c) Segment Reporting

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

(d) Foreign Currency Translation

(i) Functional and Presentation Currency

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

(ii) Transactions and Balances

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

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

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(iii) Foreign Operations

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

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

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

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

(e) Revenue Recognition

Revenue is recognised as summarised below.

(i) Operating Revenue

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

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

(ii) Interest Income

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

(iii) Dividend Income

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

(iv) Loyalty Programme

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

(f) Income Tax

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

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

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

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

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

(g) Goods and Services Tax (GST)

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

(h) Leases

(i) The Group is the Lessee

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

(ii) The Group is the Lessor

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

(i) Impairment of Non-Current Assets

Goodwill and Intangible Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or

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amortisation (property, plant and equipment and intangibles that have a finite useful life) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(j) Cash and Bank Balances

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

(k) Trade Receivables

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

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

(l) Inventories

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

(m) Investments and Other Financial Assets

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

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

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

This category has two sub-categories: financial assets classified as held for trading and financial assets designated as at fair value

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

(ii) Loans and Receivables

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

(n) Derivatives

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

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

(i) Fair Value Hedge

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

(ii) Cash Flow Hedge

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

Amounts accumulated in equity are recycled in the Income Statement in the periods when the hedged item will affect profit

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

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

(iii) Derivatives that do not qualify for Hedge Accounting

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

(o) Property, Plant and Equipment

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

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

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

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

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

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

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

(p) Intangible Assets

(i) Goodwill

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

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

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

(ii) Casino Licences

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

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

(iii) Acquired Software

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

(q) Payables

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

(r) Borrowings

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

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

(s) Borrowing Costs

Borrowing costs are expensed, except for costs incurred for the construction of any qualifying asset which are capitalised during

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the period of time that is required to complete and prepare the asset for its intended use or sale.

(t) Employee Benefits

(i) Wages, Salaries and Annual Leave

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

(ii) Share-Based Payments

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

(u) Share Capital

Ordinary shares are classified as equity.

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

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

(v) Dividends

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

(w) Earnings Per Share

(i) Basic Earnings Per Share

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

(ii) Diluted Earnings Per Share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary

shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(x) Statement of Cash Flows

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

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

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 July 2012 or later periods, but which the Group has not early adopted. The significant items are:

- **NZ IFRS 9, Financial Instruments** (effective from annual periods beginning on or after 1 January 2015). This standard replaces the parts of IAS 39 Financial Instruments: Recognition and Measurement that relates to the classification and measurement of financial instruments.

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

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

This standard is not expected to significantly impact the Group.

- **NZ IFRS 13, Fair value measurement** (effective from annual periods beginning on or after 1 January 2013). NZ IFRS 13 replaces the fair value measurement guidance contained in individual NZ IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other NZ IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. This standard is not expected to significantly impact the Group.

(z) New Accounting Standards Adopted in the Year

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

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3 REVENUE

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Total receipts including GST	960,203	902,381	-	-
Less non-gaming GST	(26,398)	(22,562)	-	-
Gaming win plus non-gaming revenue	933,805	879,819	-	-
Less gaming GST	(82,275)	(76,674)	-	-
Total revenue	851,530	803,145	-	-
Gaming	658,713	628,051	-	-
Non-gaming	192,817	175,094	-	-
Total revenue	851,530	803,145	-	-

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

Included within consolidated gaming revenue is revenue relating to loyalty action points of \$11,621,000 (30 June 2011: \$10,486,000).

Included within consolidated non-gaming revenue is revenue relating to loyalty action points of \$266,000 (30 June 2011: \$306,000).

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

4 OTHER INCOME

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Net gain on disposal of property, plant and equipment	1,756	1,065	-	-
Interest income - Christchurch Hotels Limited	167	192	-	-
Dividend income	5	4	-	-
Dividends from wholly-owned entities	-	-	110,178	100,133
	1,928	1,261	110,178	100,133

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5 EXPENSES

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Profit before income tax includes the following specific expenses:				
Depreciation				
Buildings	24,777	24,198	-	-
Plant and equipment	34,215	31,402	2,593	2,125
Fixtures and fittings	7,366	6,834	-	-
Motor vehicles	400	404	-	-
Total depreciation	66,758	62,838	2,593	2,125
Amortisation				
Casino licences (Adelaide)	2,682	2,736	-	-
Computer software	3,330	4,136	2,968	3,833
Total amortisation	6,012	6,872	2,968	3,833
Total depreciation and amortisation	72,770	69,710	5,561	5,958
Other expenses includes:				
Utilities, insurance and rates	21,683	19,616	99	106
Community Trust donations	3,143	3,185	-	-
Minimum lease payments relating to operating leases	4,535	4,408	-	-
Other property expenses	16,045	15,302	-	-
Other items (including International commissions)	54,905	50,031	3,683	6,285
Provision for bad and doubtful debts	43	81	-	-
	100,354	92,623	3,782	6,391
Restructuring costs				
Redundancy and other staff payments	2,581	2,471	2,093	-
Other restructuring costs	1,693	827	-	-
	4,274	3,298	2,093	-
Auditors' fees				
During the year the following fees were paid or are payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms.				
(a) Assurance services				
Audit services				
PricewaterhouseCoopers				
Audit of Group financial statements	418	400	418	400
Audit of subsidiary financial statements	92	94	-	-
Half year review	84	80	84	80
Total remuneration for audit services	594	574	502	480
Other assurance services provided by PricewaterhouseCoopers				
Accounting advice and assistance	85	75	85	75
Systems assurance	75	-	-	-
Tax compliance services	91	73	40	45
Total remuneration for other assurance services	251	148	125	120
Total remuneration for assurance services	845	722	627	600

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	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
(b) Other services				
PricewaterhouseCoopers				
Taxation and other advisory services	266	318	169	168
Total remuneration for taxation services	266	318	169	168
Total fees paid or payable to auditors	1,111	1,040	796	768

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

6 FINANCE COSTS - NET

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
<i>Finance costs</i>				
Interest and finance charges	53,167	50,280	4,171	3,908
Exchange gains	(582)	(2,105)	-	-
Interest income	(3,724)	(2,783)	-	-
Gain on funding reorganisation (note 18)	-	(1,620)	-	-
Total finance costs	48,861	43,772	4,171	3,908

7 INCOME TAX EXPENSE

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
(a) Income Tax Expense				
Current tax	49,176	39,570	-	-
Deferred tax	(9,214)	3,221	-	-
	39,962	42,791	-	-
Deferred tax (note 20)				
Origination and reversal of temporary differences	(9,214)	8,656	-	-
Change in New Zealand corporate tax rate and building depreciation	-	(5,435)	-	-
Total deferred tax	(9,214)	3,221	-	-

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7 INCOME TAX EXPENSE (continued)

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
(b) Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable				
Profit from continuing operations before income tax expense	178,832	165,794	70,979	63,480
Tax at the New Zealand tax rate of 28% (2011: 30%)	50,073	49,738	19,874	19,044
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Inter-company eliminations	-	-	10,830	10,909
Net non-deductible items	1,491	1,427	146	87
Share of net profit of associates	(1,525)	(1,793)	-	-
Impairment of Christchurch Casino	-	4,500	-	-
Foreign exchange rate differences	1,336	1,591	-	-
Exempt dividends received	-	-	(30,850)	(30,040)
Share of partnership expenditure	(7,071)	(7,180)	-	-
Tax losses not previously recognised	(284)	(27)	-	-
Differences in overseas tax rates	773	-	-	-
Over provision in prior years	(4,831)	(30)	-	-
Tax expense pre Government Budget changes	39,962	48,226	-	-
Change in New Zealand tax building depreciation	-	(5,522)	-	-
Change in New Zealand corporate tax rate	-	87	-	-
Tax expense relating to Government Budget changes	-	(5,435)	-	-
Income tax expense	39,962	42,791	-	-

The weighted average applicable tax rate was 22.3% (2011: 25.8%) (excluding the impact of building tax depreciation changes and Christchurch Casinos impairment 22.3% (2011: 26.7%)).

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

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8 EARNINGS PER SHARE

	CONSOLIDATED	
	2012 CENTS	2011 CENTS
Basic earnings per share		
Profit for the year before tax expense relating to Government Budget changes and Christchurch Casino impairment	24.0	23.0
Profit attributable to the ordinary equity holders of the company	24.0	21.4
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company	23.8	20.9

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

	CONSOLIDATED	
	2012 \$'000	2011 \$'000
Basic earnings per share		
Profit from continuing operations	138,870	123,003
Profit attributable to minority interests	(336)	(43)
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	138,534	122,960
Diluted earnings per share		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	138,534	122,960
Interest savings on capital notes	4,160	3,837
Interest savings on SKYCITY ACES	-	4,476
Tax on the above	(1,165)	(2,494)
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	141,529	128,779

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

	CONSOLIDATED	
	2012 NUMBER	2011 NUMBER
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	576,958,340	575,574,000
<i>Adjustments for calculation of diluted earnings per share:</i>		
SKYCITY ACES	-	25,622,391
Capital notes	16,592,208	14,501,611
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	593,550,548	615,698,002

(c) Information concerning the classification of Securities**(i) SKYCITY ACES**

The SKYCITY ACES were considered to be potential ordinary shares in 2011 and were therefore included in the determination of diluted earnings per share.

(ii) Capital Notes

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

NOTES TO THE FINANCIAL STATEMENTS

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9 CASH AND BANK BALANCES

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Cash at bank	2,538	55,690	1	1
Cash in house	38,862	48,887	-	-
	41,400	104,577	1	1

10 RECEIVABLES AND PREPAYMENTS

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Trade receivables	13,551	9,285	-	-
Advance to Christchurch Hotels Limited (note 29)	5,125	6,235	-	-
Sundry receivables	4,864	11,244	227	112
Prepayments	3,434	4,136	1,193	2,041
Amounts due from subsidiaries (note 30)	-	-	152,209	85,223
	26,974	30,900	153,629	87,376

There are no significant receivables past due date or impaired.

11 NET TAX RECEIVABLES

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Tax prepayment - current	35,503	36,637	-	-
Tax prepayment- non current	31,550	27,789	-	-
Current tax liabilities	(7,972)	(5,349)	-	-
	59,081	59,077	-	-

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

NOTES TO THE FINANCIAL STATEMENTS

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12 DERIVATIVE FINANCIAL INSTRUMENTS

	FAIR VALUE		NOTIONAL PRINCIPAL	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Current assets				
Forward foreign currency contracts	480	272	50,576	6,911
Total current derivative financial instrument assets	480	272	50,576	6,911
Non-current assets				
Cross-currency interest rate swaps – cash flow hedges	23,154	-	258,548	-
Total non-current derivative financial instrument assets	23,154	-	258,548	-
Current liabilities				
Cross-currency interest rate swap – cash flow hedges*	519	4,981	31,876	83,227
Forward foreign currency contracts	145	113	13,018	5,785
Cross-currency interest rate swaps – fair value hedges*	-	1,998	-	19,492
Interest rate swaps – cash flow hedges	-	3,010	-	97,000
Total current derivative financial instrument liabilities	664	10,102	44,894	205,504
Non-current liabilities				
Interest rate swaps – cash flow hedges	42,877	14,514	396,705	399,184
Cross-currency interest rate swaps – cash flow hedges *	2,538	18,879	59,751	300,906
Total non-current derivative financial instrument liabilities	45,415	33,393	456,456	700,090

During the year, \$3,927,289 of losses (2011: \$3,545,228 gains) on hedged items were offset in the Income Statement by \$4,153,420 of gains (2011: \$3,739,485 losses) on derivatives in fair value hedging relationships.

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

* The comparative period fair value amounts are net of collateral payments made of \$11,283,153. When the fair value of the cross-currency interest rate swaps exceeds certain levels, a payment is received from (if the CCIRS is an asset) or made to (if the CCIRS is a liability) the counter-party. The collateral payment outstanding at 30 June 2011 was repaid during the current year, there are no collateral payments outstanding at 30 June 2012.

The parent has no derivatives at 30 June 2012 (2011: fair value of negative \$113,000).

NOTES TO THE FINANCIAL STATEMENTS

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13 PROPERTY, PLANT AND EQUIPMENT

	LAND \$'000	BUILDINGS AND FITOUT \$'000	PLANT AND EQUIPMENT \$'000	FIXTURES AND FITTINGS \$'000	MOTOR VEHICLES \$'000	CAPITAL WORK IN PROGRESS \$'000	TOTAL \$'000
CONSOLIDATED							
At 30 June 2010							
Cost	179,986	809,872	361,350	103,794	2,243	16,755	1,474,000
Accumulated depreciation	-	(176,884)	(272,223)	(70,455)	(1,259)	-	(520,821)
Net book value	179,986	632,988	89,127	33,339	984	16,755	953,179
Movements in the year ended 30 June 2011							
Opening net book value	179,986	632,988	89,127	33,339	984	16,755	953,179
Exchange differences	959	8,185	1,893	317	28	652	12,034
Net additions/transfers	(992)	9,418	28,395	1,389	217	50,529	88,956
Depreciation charge	-	(24,198)	(31,402)	(6,834)	(404)	-	(62,838)
Closing net book value	179,953	626,393	88,013	28,211	825	67,936	991,331
At 30 June 2011							
Cost	179,953	826,639	390,080	102,810	2,520	67,936	1,569,938
Accumulated depreciation	-	(200,246)	(302,067)	(74,599)	(1,695)	-	(578,607)
Net book value	179,953	626,393	88,013	28,211	825	67,936	991,331
Movements in the year ended 30 June 2012							
Opening net book value	179,953	626,393	88,013	28,211	825	67,936	991,331
Exchange differences	(255)	(2,165)	(493)	(78)	(7)	(258)	(3,256)
Net additions/transfers	10,226	45,337	47,916	13,433	329	25,860	143,101
Depreciation charge	-	(24,777)	(34,215)	(7,366)	(400)	-	(66,758)
Closing net book value	189,924	644,788	101,221	34,200	747	93,538	1,064,418
At 30 June 2012							
Cost	189,924	864,635	350,639	98,191	2,697	93,538	1,599,624
Accumulated depreciation	-	(219,847)	(249,418)	(63,991)	(1,950)	-	(535,206)
Net book value	189,924	644,788	101,221	34,200	747	93,538	1,064,418

NOTES TO THE FINANCIAL STATEMENTS

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13 PROPERTY, PLANT AND EQUIPMENT (continued)

	PLANT AND EQUIPMENT \$'000	CAPITAL WORK IN PROGRESS \$'000	TOTAL \$'000
PARENT COMPANY			
At 30 June 2010			
Cost	28,171	2,655	30,826
Accumulated depreciation	(23,564)	-	(23,564)
Net book value	4,607	2,655	7,262
Movements in the year ended 30 June 2011			
Opening net book value	4,607	2,655	7,262
Net additions/transfers	3,839	(1,922)	1,917
Depreciation charge	(2,125)	-	(2,125)
Closing net book value	6,321	733	7,054
At 30 June 2011			
Cost	32,011	733	32,744
Accumulated depreciation	(25,690)	-	(25,690)
Net book value	6,321	733	7,054
Movements in the year ended 30 June 2012			
Opening net book value	6,321	733	7,054
Net additions/transfers	2,023	1,048	3,071
Depreciation charge	(2,593)	-	(2,593)
Closing net book value	5,751	1,781	7,532
At 30 June 2012			
Cost	27,496	1,781	29,277
Accumulated depreciation	(21,745)	-	(21,745)
Net book value	5,751	1,781	7,532

Borrowing costs of \$2,129,123 have been capitalised in the current year relating to the Auckland and Adelaide capital projects and Darwin resort (2011: \$346,722) using the Group's weighted average cost of debt.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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14 INTANGIBLE ASSETS

	GOODWILL \$'000	CASINO LICENCES \$'000	COMPUTER SOFTWARE \$'000	TOTAL \$'000
CONSOLIDATED				
At 30 June 2010				
Cost	151,949	261,318	58,153	471,420
Accumulated amortisation	-	(29,468)	(44,726)	(74,194)
Net book amount	151,949	231,850	13,427	397,226
Movements in the year ended 30 June 2011				
Opening net book amount	151,949	231,850	13,427	397,226
Exchange differences	6,048	12,101	16	18,165
Additions	-	-	1,893	1,893
Amortisation charge	-	(2,736)	(4,136)	(6,872)
Closing net book amount	157,997	241,215	11,200	410,412
At 30 June 2011				
Cost	157,997	274,924	60,234	493,155
Accumulated amortisation	-	(33,709)	(49,034)	(82,743)
Net book amount	157,997	241,215	11,200	410,412
Movements in the year ended 30 June 2012				
Opening net book amount	157,997	241,215	11,200	410,412
Exchange differences	(1,605)	(3,156)	(3)	(4,764)
Additions	-	-	11,009	11,009
Amortisation charge	-	(2,682)	(3,330)	(6,012)
Closing net book amount	156,392	235,377	18,876	410,645
At 30 June 2012				
Cost	156,392	271,314	60,027	487,733
Accumulated amortisation	-	(35,937)	(41,151)	(77,088)
Net book amount	156,392	235,377	18,876	410,645

Casino Licence Contract Term

Darwin	The casino and associated operations are carried out by SKYCITY Darwin under a casino licence/operator agreement (the Casino Operator's Agreement) with the Northern Territory Government. The current licence term was extended in 2011 and now expires on 30 June 2031. The Casino Operator's Agreement is subject to extension for a further 5 years once its period to maturity reaches 15 years. These licence extensions apply on a continuing five year basis so that, subject to certain criteria being met, the licence period is never less than 15 years.
Adelaide	The casino and associated operations are carried out by SKYCITY Adelaide under a casino licence (the Approved Licensing Agreement ("ALA")) dated October 1999 (as amended). The expiry date of the ALA is June 2085. The term of the ALA can be renewed for a further fixed term pursuant to section 9 of the Casino Act 1997 (SA). The carrying value of the Adelaide licence is amortised over the life of the agreement.
Auckland	SKYCITY Auckland Limited holds a Casino Premises Licence for the Auckland premises. The Casino Premises Licence is for an initial 25 year term from 2 February 1996. The licence can be renewed for further periods of 15 years pursuant to s138 of the Gaming Act 2003 (NZ). As the licence was initially granted to the company for nil consideration there is no associated carrying value.
Hamilton	SKYCITY Hamilton Limited holds a Casino Premises Licence for the Hamilton premises. The Casino Premises Licence is for an initial 25 year term from 19 September 2002. The licence can be renewed for further periods of 15 years pursuant to s138 of the Gaming Act 2003 (NZ). As the licence was initially granted to the company for nil consideration there is no associated carrying value.

NOTES TO THE FINANCIAL STATEMENTS

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14 INTANGIBLE ASSETS (continued)

	COMPUTER SOFTWARE \$'000	TOTAL \$'000
PARENT COMPANY		
At 30 June 2010		
Cost	50,813	50,813
Accumulated amortisation	(37,760)	(37,760)
Net book amount	13,053	13,053
Movements in the year ended 30 June 2011		
Opening net book amount	13,053	13,053
Additions	1,476	1,476
Amortisation charge	(3,833)	(3,833)
Closing net book amount	10,696	10,696
At 30 June 2011		
Cost	52,289	52,289
Accumulated amortisation	(41,593)	(41,593)
Net book amount	10,696	10,696
Movements in the year ended 30 June 2012		
Opening net book amount	10,696	10,696
Additions	2,303	2,303
Amortisation charge	(2,968)	(2,968)
Closing net book amount	10,031	10,031
At 30 June 2012		
Cost	45,583	45,583
Accumulated amortisation	(35,552)	(35,552)
Net book amount	10,031	10,031

(a) Impairment Tests for Intangibles with Indefinite Lives

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

	SKYCITY HAMILTON* \$'000	SKYCITY DARWIN \$'000	TOTAL \$'000
2012			
Goodwill	35,786	120,606	156,392
Casino Licence	-	40,459	40,459
	35,786	161,065	196,851
2011			
Goodwill	35,786	122,211	157,997
Casino Licence	-	40,997	40,997
	35,786	163,208	198,994

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

* SKYCITY Hamilton is included within the "Rest of New Zealand" segment in note 27.

NOTES TO THE FINANCIAL STATEMENTS

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14 INTANGIBLE ASSETS (continued)

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

	EBITDA MARGIN		GROWTH RATE		DISCOUNT RATE	
	2012 %	2011 %	2012 %	2011 %	2012 %	2011 %
SKYCITY Hamilton	41.8	42.6	2.0	2.0	10.0	10.0
SKYCITY Darwin	29.4	30.5	4.7	3.0	10.0	10.0

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

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

15 INVESTMENTS IN ASSOCIATES

Carrying Amounts

Information relating to associates is set out below.

NAME OF COMPANY	PRINCIPAL ACTIVITIES	OWNERSHIP INTEREST		CONSOLIDATED		PARENT	
		2012 %	2011 %	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Christchurch Casinos Limited Group	Casino operator	50.0	50.0	75,266	73,782	-	-
				75,266	73,782	-	-

Christchurch Casinos Limited Group (CCL) is incorporated in New Zealand and has a 31 March balance date.

Following the Canterbury earthquakes in the prior year, a value in use impairment test was completed on the Group's investment in Christchurch Casinos resulting in a \$15 million impairment. The underlying assumptions used included an initial drop in earnings, returning to 2010 levels by 2014, a discount rate of 10% (post tax) and a terminal growth rate of 2.3%.

No adjustment has been made to the impairment charge in the current year. Increasing or decreasing the underlying assumed growth rate by 5% would result in a \$4.8 million reduction or increase in the current carrying value.

(a) Movements in carrying amounts

	CONSOLIDATED	
	2012 \$'000	2011 \$'000
Balance at the beginning of the year	73,782	83,549
Share of profits after income tax	5,447	5,976
Dividends received/receivable	(3,963)	(743)
Impairment	-	(15,000)
Balance at 30 June	75,266	73,782

(b) Impairment losses recognised in profit or loss

Impairment losses in associates accounted for using the equity method in the income statement	-	15,000
	-	15,000

NOTES TO THE FINANCIAL STATEMENTS

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15 INVESTMENTS IN ASSOCIATES (continued)

(c) Summarised financial information of associates

	GROUP'S SHARE OF:			
	ASSETS \$'000	LIABILITIES \$'000	REVENUES \$'000	PROFIT \$'000
2012				
Christchurch Casinos Limited Group	14,428	1,982	18,570	4,200
	14,428	1,982	18,570	4,200
2011				
Christchurch Casinos Limited Group	14,852	1,691	14,867	3,269
	14,852	1,691	14,867	3,269

The above are based on SKYCITY's direct equity interest in Christchurch Casinos Limited of 33.3% (2011: 33.3%).

16 PAYABLES

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Trade payables	18,034	31,044	-	-
Deferred income	3,520	3,097	-	-
Accrued expenses	42,144	39,805	7,025	5,480
Employee benefits	43,488	36,905	-	-
Amounts due to subsidiaries (note 30)	-	-	337,743	245,517
	107,186	110,851	344,768	250,997

17 CURRENT LIABILITIES - INTEREST BEARING LIABILITIES

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Unsecured				
United States Private Placement (USPP)	-	247,267	-	-
Total unsecured current interest bearing borrowings	-	247,267	-	-

Fair value disclosures

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

NOTES TO THE FINANCIAL STATEMENTS

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18 NON-CURRENT LIABILITIES - INTEREST BEARING LIABILITIES

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Refer to (note 17) for details of current portions of these liabilities.				
Unsecured				
United States Private Placement (USPP)	365,848	350,202	-	-
Syndicated bank facility	240,627	-	-	-
Deferred funding expenses	(1,573)	-	-	-
Total unsecured non-current interest bearing borrowings	604,902	350,202	-	-

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

(a) United States Private Placement (USPP)

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

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

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

In March 2012, USPP borrowings of US\$85,000,000, A\$74,900,000 and NZ\$47,275,000 matured and were repaid.

Other movements in the USPP from 30 June 2011 relate to foreign exchange movements.

The offsetting value of the cross currency interest rate swaps are included within derivative financial instruments in note 12.

(b) Syndicated Bank Facility

At 30 June 2012, SKYCITY had in place a NZ\$485,000,000 revolving credit (2011: NZ\$400,000,000) and Australian \$75,000,000 term facility (2011: nil) on an unsecured, negative pledge basis in two tranches of NZ\$200,000,000 each maturing January 2015 and June 2016, and two tranches maturing March 2019 of NZ\$85,000,000 and Australian \$75,000,000. The funding syndicate is comprised of ANZ National Bank Limited, Bank of New Zealand Limited, Commonwealth Bank of Australia and Westpac New Zealand Limited.

The facility is a revolving credit facility with the exception of the Australian \$75,000,000 tranche which is a term loan.

(c) Fair values

Fair value of long term fixed rate USPP debt is estimated at \$341 million (2011: \$424 million) compared to a carrying value of \$317 million (2011: \$404 million). Fair value has been calculated based on the present value of future principal and interest cash flows, using market interest rates and credit margins at balance date.

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

NOTES TO THE FINANCIAL STATEMENTS

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19 SUBORDINATED DEBT - CAPITAL NOTES

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Balance at the beginning of the year	56,451	47,043	56,451	47,043
Issued/(matured) during the year	-	9,408	-	9,408
Balance at the end of the year	56,451	56,451	56,451	56,451
Deferred expense	37	51	37	51
Net capital notes at the end of the year	56,414	56,400	56,414	56,400

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

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

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

The company may elect to redeem or purchase some or all of the capital notes that holders have elected to convert, at an amount equal to the principal amount plus any accrued but unpaid interest.

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

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

As at 30 June 2012, there were 150,000,000 (2011: 150,000,000) capital notes on issue, of which 93,549,500 (2011: 93,549,500) are held as treasury stock by the company.

The capital notes are listed on the NZX. As at 30 June 2012, the closing price was \$1.0425 per \$1 note (2011: \$1.0182). The capital notes are carried at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

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20 DEFERRED TAX LIABILITIES

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
The balance comprises temporary differences attributable to:				
Prepayments and receivables	529	47	-	-
Provision and accruals	(14,174)	(9,799)	-	-
Depreciation	97,622	96,231	-	-
Foreign exchange differences	6,903	14,378	-	-
Tax losses	(1,486)	(2,263)	-	-
Other	605	613	-	-
Cash flow hedges	(5,428)	(4,917)	-	-
Net deferred tax liabilities	84,571	94,290	-	-
Movements:				
Balance at the beginning of the year	94,290	95,347	-	-
(Credited)/charged to the Income Statement (note 7)	(9,214)	8,656	-	-
Debited to equity reserves	(360)	(4,133)	-	-
Change in New Zealand corporate tax rate and building depreciation (note 7)	-	(5,435)	-	-
Foreign exchange differences	(145)	(145)	-	-
Closing balance at 30 June	84,571	94,290	-	-
Within 12 months	(15,512)	(8,979)	-	-
In excess of 12 months	100,083	103,269	-	-
	84,571	94,290	-	-

The Group has not recognised deferred tax assets of \$1.3 million (2011: \$1.6 million) in respect of losses that can be carried forward against future taxable income.

21 IMPUTATION CREDITS (New Zealand)

	CONSOLIDATED	
	2012 \$'000	2011 \$'000
Balance at the beginning of the year	(7,708)	(6,260)
Tax payments, net of refunds	26,284	32,327
Credits attached to dividends paid	(18,069)	(33,797)
Credits attached to dividends received	1,672	22
Balance at end of year	2,179	(7,708)
Imputation credits available directly and indirectly to shareholders of the parent company, through:		
Parent company	2,179	(7,708)
Subsidiaries	-	-
Balance at end of year	2,179	(7,708)

As required by relevant tax legislation, the imputation credit account had a credit balance as at 31 March 2012.

NOTES TO THE FINANCIAL STATEMENTS

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22 SHARE CAPITAL

	2012 SHARES	2011 SHARES	2012 \$'000	2011 \$'000
Opening balance of ordinary shares issued	576,958,340	575,114,687	728,616	732,910
Share rights issued for employee services	-	-	1,426	1,047
Employee share entitlements issued	674,251	275,034	-	-
Treasury shares issued	(2,092,762)	(275,034)	-	-
Net purchase of treasury shares	-	-	(7,180)	(11,442)
Shares issued under dividend reinvestment plan	1,418,511	1,843,653	4,736	6,101
	576,958,340	576,958,340	727,598	728,616

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

Included within the number of shares is treasury shares of 4,517,313 (2011: 4,351,766) held by the company. The movement in treasury shares during the year related to the issuance of shares under the employee incentive plans and purchases of shares by an external trustee as part of the new executive long term incentive plan (refer note 28). Treasury shares may be used to issue shares under the company's employee incentive plans or upon the exercise of share rights/options.

23 RESERVES AND RETAINED PROFITS/(LOSSES)

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
(a) Reserves				
Hedging reserve – cash flow hedges	(13,355)	(12,340)	-	(427)
Foreign currency translation reserve	11,505	16,022	-	-
	(1,850)	3,682	-	(427)
<i>Hedging reserve – cash flow hedges</i>				
Balance at the beginning of the year	(12,340)	(2,740)	(427)	-
Revaluation	16,635	(77,025)	-	(593)
Transfer to net profit	(18,010)	63,292	593	-
Deferred tax	360	4,133	(166)	166
Balance 30 June	(13,355)	(12,340)	-	(427)
<i>Foreign currency translation reserve</i>				
Balance at the beginning of the year	16,022	10,625	-	-
Exchange difference on translation of overseas subsidiaries	(4,517)	5,397	-	-
Balance 30 June	11,505	16,022	-	-

(i) Hedging Reserve – Cash Flow Hedges

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

(ii) Foreign Currency Translation Reserve

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

NOTES TO THE FINANCIAL STATEMENTS

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23 RESERVES AND RETAINED PROFITS/(LOSSES) (continued)

(b) Retained Profit/(Losses)

Movements in retained profits were as follows:

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Balance at the beginning of the year	41,150	17,397	(311,797)	(276,070)
Profit attributable to shareholders of the company	138,534	122,960	70,979	63,480
Dividends	(97,994)	(99,207)	(97,994)	(99,207)
Balance at the end of the year	81,690	41,150	(338,812)	(311,797)

24 NON CONTROLLING INTEREST

	CONSOLIDATED	
	2012 \$'000	2011 \$'000
Balance at the beginning of the year	1,368	1,325
Share of surpluses/(deficit) of subsidiaries	336	43
Balance at the end of the year	1,704	1,368

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

25 DIVIDENDS

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Prior year final dividend	46,079	53,198	46,079	53,198
Current year interim dividend	51,915	46,009	51,915	46,009
Total dividends provided for or paid	97,994	99,207	97,994	99,207
Prior year final dividend (per share)	8.00¢	9.25¢	8.00¢	9.25¢
Current year interim dividend (per share)	9.00¢	8.00¢	9.00¢	8.00¢

On 14 August 2012, the directors resolved to declare a final dividend of 8 cents per share in respect of the year ended 30 June 2012 (refer to note 34 for further details).

NOTES TO THE FINANCIAL STATEMENTS

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26 FINANCIAL RISK MANAGEMENT

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

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

(a) Market Risk

(i) Currency Risk

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

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

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

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

(ii) Interest Rate Risk

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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26 FINANCIAL RISK MANAGEMENT (continued)

	%	1 YEAR OR LESS \$'000	PRINCIPAL - INTEREST RATE REPRICING					OVER 5 YEARS \$'000	TOTAL \$'000
			1-2 YEARS \$'000	2-3 YEARS \$'000	3-4 YEARS \$'000	4-5 YEARS \$'000			
2012									
Cash and deposits	2.50	2,538	-	-	-	-	-	2,538	
Advance to Christchurch Hotels	2.90	5,125	-	-	-	-	-	5,125	
Bank facility	4.99	(240,627)	-	-	-	-	-	(240,627)	
US Private Placement	5.06	(49,296)	-	(59,751)	-	(34,325)	(222,476)	(365,848)	
Capital notes (NZ)	7.25	-	-	(56,451)	-	-	-	(56,451)	
IRS/CCIRS*		80,153	(31,876)	(4,599)	(35,500)	(3,675)	(4,503)	-	
		(202,107)	(31,876)	(120,801)	(35,500)	(38,000)	(226,979)	(655,263)	
Weighted average debt interest rate	6.97%								
2011									
Cash and deposits	2.50	55,690	-	-	-	-	-	55,690	
Advance to Christchurch Hotels	2.68	6,235	-	-	-	-	-	6,235	
US Private Placement	4.82	(296,563)	-	-	(56,798)	-	(244,108)	(597,469)	
Capital notes (NZ)	7.25	-	-	-	(56,451)	-	-	(56,451)	
IRS/CCIRS *		98,278	(32,300)	-	(7,552)	(35,840)	(22,586)	-	
		(136,360)	(32,300)	-	(120,801)	(35,840)	(266,694)	(591,995)	
Weighted average debt interest rate	7.36%								

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

For both 2012 and 2011 capital notes are the only interest-bearing debt within the parent entity. The parent had no derivatives as at 30 June 2012 (2011: forward foreign exchange contract with fair value of negative \$113,000).

(iii) Summarised sensitivity analysis

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

	INTEREST RATE RISK				FOREIGN EXCHANGE RISK			
	-100BPS		+100BPS		-5%		+5%	
	PROFIT \$'000	EQUITY \$'000	PROFIT \$'000	EQUITY \$'000	PROFIT \$'000	EQUITY \$'000	PROFIT \$'000	EQUITY \$'000
CONSOLIDATED								
30 June 2012								
NZD/AUD movements	-	-	-	-	78	17,951	(86)	(16,241)
NZ interest rate movement	1,331	(8,634)	(1,331)	8,274	-	-	-	-
Australian interest rate movement	246	(7,325)	(246)	6,816	-	-	-	-
Total increase/ (decrease)	1,577	(15,959)	(1,577)	15,090	78	17,951	(86)	(16,241)

NOTES TO THE FINANCIAL STATEMENTS

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26 FINANCIAL RISK MANAGEMENT (continued)

	INTEREST RATE RISK				FOREIGN EXCHANGE RISK			
	-100BPS		+100BPS		-5%		+5%	
	PROFIT \$'000	EQUITY \$'000	PROFIT \$'000	EQUITY \$'000	PROFIT \$'000	EQUITY \$'000	PROFIT \$'000	EQUITY \$'000
CONSOLIDATED								
30 June 2011								
NZD/AUD movements	-	-	-	-	558	10,030	(505)	(9,075)
NZ interest rate movement	645	(10,207)	(645)	9,685	-	-	-	-
Australian interest rate movement	80	(7,086)	(80)	6,586	-	-	-	-
Total increase/ (decrease)	725	(17,293)	(725)	16,271	558	10,030	(505)	(9,075)

(b) Credit risk

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

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

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

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

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

(c) Liquidity risk

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

Maturities of Committed Funding Facilities

The tables below analyse the Group's maturity profile of committed funding. The bank facility revolving credit tranches of NZ\$485 million (2011: NZ\$400 million) were drawn down by NZ\$145,000,000 as at 30 June 2012 (2011: nil drawn down). The bank facility term tranche of A\$75 million was fully drawn.

	LESS THAN 6 MONTHS \$'000	6 - 12 MONTHS \$'000	BETWEEN 1 AND 2 YEARS \$'000	BETWEEN 2 AND 3 YEARS \$'000	BETWEEN 3 AND 5 YEARS \$'000	OVER 5 YEARS \$'000	TOTAL FACILITY \$'000
CONSOLIDATED							
At 30 June 2012							
Bank facility	-	-	-	200,000	200,000	180,627	580,627
Capital notes	-	-	-	56,451	-	-	56,451
US Private Placement	-	-	-	87,920	34,325	243,603	365,848
Total debt facilities	-	-	-	344,371	234,325	424,230	1,002,926
Payables	60,178	-	-	-	-	-	60,178
Total drawn debt	-	-	-	289,371	34,325	339,230	662,926
Future contracted interest on drawn debt	15,350	14,576	29,152	27,342	40,715	42,495	169,630
Future contracted interest on CCIRS/IRS	5,997	5,878	11,621	10,849	16,331	17,399	68,075

NOTES TO THE FINANCIAL STATEMENTS

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26 FINANCIAL RISK MANAGEMENT (continued)

	LESS THAN 6 MONTHS \$'000	6 - 12 MONTHS \$'000	BETWEEN 1 AND 2 YEARS \$'000	BETWEEN 2 AND 3 YEARS \$'000	BETWEEN 3 AND 5 YEARS \$'000	OVER 5 YEARS \$'000	TOTAL FACILITY \$'000
CONSOLIDATED							
At 30 June 2011							
Bank facility	-	-	-	200,000	200,000	-	400,000
Capital notes	-	-	-	-	56,451	-	56,451
US Private Placement	-	247,267	-	-	84,967	265,235	597,469
Total debt facilities	-	247,267	-	200,000	341,418	265,235	1,053,920
Payables	73,669	-	-	-	-	-	73,669
Total drawn debt	-	247,267	-	-	141,418	265,235	653,920
Future contracted interest on drawn debt	17,775	13,951	22,567	22,567	35,032	44,901	156,793
Future contracted interest on CCIRS/IRS	8,063	6,952	12,340	12,232	20,686	28,146	88,419

(d) Fair value estimation

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

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

	LEVEL 1 \$'000	LEVEL 2 \$'000	LEVEL 3 \$'000	TOTAL BALANCE \$'000
CONSOLIDATED				
At 30 June 2012				
Assets				
Financial assets at fair value through profit or loss				
- Forward foreign currency contracts	-	480	-	480
Derivatives used for hedging	-	23,154	-	23,154
Total assets	-	23,634	-	23,634
Liabilities				
Financial liabilities at fair value through profit or loss				
- Forward foreign currency contracts	-	145	-	145
Derivatives used for hedging	-	45,934	-	45,934
Total liabilities	-	46,079	-	46,079

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

26 FINANCIAL RISK MANAGEMENT (continued)

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

Further details on derivatives are provided in note 12.

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

Specific valuation techniques used to value financial instruments include:

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

At year end the parent company has no derivatives (2011: \$113,000 liability).

NOTES TO THE FINANCIAL STATEMENTS

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26 FINANCIAL RISK MANAGEMENT (continued)

(e) Financial instruments by category

	LOANS AND RECEIVABLES \$'000	ASSETS / (LIABILITIES) AT FAIR VALUE THROUGH THE INCOME STATEMENT \$'000	DERIVATIVES USED FOR HEDGING \$'000	LIABILITIES AT AMORTISED COST \$'000
CONSOLIDATED				
At 30 June 2012				
Cash and bank balances	41,400	-	-	-
Trade receivables	13,551	-	-	-
Advance to Christchurch Hotels Limited	5,125	-	-	-
Sundry receivables	4,864	-	-	-
Derivative financial instruments (net)	-	335	(22,780)	-
Interest-bearing liabilities	-	-	-	(604,902)
Capital notes	-	-	-	(56,414)
Payables	-	-	-	(60,178)
	64,940	335	(22,780)	(721,494)
At 30 June 2011				
Cash and bank balances	104,577	-	-	-
Trade receivables	9,288	-	-	-
Advance to Christchurch Hotels Limited	6,235	-	-	-
Sundry receivables	11,244	-	-	-
Derivative financial instruments (net)	-	159	(43,382)	-
Interest-bearing liabilities	-	-	-	(597,469)
Capital notes	-	-	-	(56,400)
Payables	-	-	-	(70,849)
	131,344	159	(43,382)	(724,718)

(f) Capital Risk Management

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

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

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

The primary ratios were as follows at 30 June:

	2012	2011
Gearing ratio	2.1 x	2.0 x
Interest coverage	6.3 x	6.2 x

These types of ratios are consistent with the financial covenants in the Group's various funding facilities. Actual gearing as at 30 June 2012 was within covenant limits on funding facilities.

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

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

NOTES TO THE FINANCIAL STATEMENTS

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27 SEGMENT INFORMATION

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

The Group is organised into the following main operating segments:

SKYCITY Auckland

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

Rest of New Zealand

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

SKYCITY Adelaide

SKYCITY Adelaide includes casino operations and food and beverage.

SKYCITY Darwin

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

International Business

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

Corporate / Group

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

	SKYCITY AUCKLAND \$'000	REST OF NEW ZEALAND \$'000	SKYCITY ADELAIDE \$'000	SKYCITY DARWIN \$'000	INTER - NATIONAL BUSINESS \$'000	CORPORATE / GROUP \$'000	TOTAL \$'000
2012							
Revenue from external customers and other income	433,648	53,929	182,043	140,021	43,817	-	853,458
Shares of net profits of associates	-	5,447	-	-	-	-	5,447
Less							
Expenses	(228,335)	(30,609)	(137,182)	(95,275)	(35,294)	(31,747)	(558,442)
Depreciation and amortisation	(39,868)	(5,284)	(10,678)	(11,358)	-	(5,582)	(72,770)
Segment profit/EBIT	165,445	23,483	34,183	33,388	8,523	(37,329)	227,693
Finance costs							(48,861)
Profit before income tax							178,832
Segment assets	720,271	136,039	269,973	382,648	-	207,335	1,716,266
Investment in associates	-	75,266	-	-	-	-	75,266
Net additions to non-current assets (other than financial assets and deferred tax)	91,805	5,295	9,749	42,320	-	4,940	154,109

NOTES TO THE FINANCIAL STATEMENTS

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27 SEGMENT INFORMATION (continued)

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

Breakdown of the revenue from all services is as follows:

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Revenue – products and services				
Local gaming	615,246	586,480	-	-
International business	43,817	41,571	-	-
Non gaming	192,467	175,094	-	-
Total revenue	851,530	803,145	-	-
Revenue – geographic				
New Zealand	520,081	479,958	-	-
Australia	331,449	323,187	-	-
Total revenue	851,530	803,145	-	-
Non-current asset additions – geographic				
New Zealand	102,040	69,632	-	-
Australia	52,069	25,016	-	-
Total non-current asset additions	154,109	94,648	-	-
Non-current assets excluding financial instruments – geographic				
New Zealand	947,867	910,978	-	-
Australia	634,012	611,927	-	-
Total non-current assets excluding financial instruments	1,581,879	1,522,905	-	-

NOTES TO THE FINANCIAL STATEMENTS

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28 SHARE-BASED PAYMENTS

Executive Share Rights Plan 2005

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

Chief Executive Officer Long Term Incentive Plan 2008

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

491,132 rights were issued in the year ended 30 June 2009 of which 152,251 (2011: 275,034) have converted to shares in the current year.

Executive Long Term Incentive Plan 2008

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

Chief Executive Officer and Executive Long Term Incentive Plan 2009

During 2010, the Group implemented a new long term incentive plan for a limited number of senior executives (including the Chief Executive Officer). This plan replaced the share based Chief Executive Officer Long Term Incentive Plan 2008 and the Executive Long Term Incentive Plan 2008.

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

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

At 30 June 2012, the interest free loan on the CEO Long Term Incentive Plan is \$5,582,817 (2011: \$5,846,428) and on the Executive Long Term Incentive Plan totals \$6,996,545 (2011: \$5,300,645).

NOTES TO THE FINANCIAL STATEMENTS

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28 SHARE-BASED PAYMENTS (continued)

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

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT START OF THE YEAR NUMBER	GRANTED DURING THE YEAR NUMBER	EXERCISED / CONVERTED DURING THE YEAR NUMBER	EXPIRED DURING THE YEAR NUMBER	BALANCE AT END OF THE YEAR NUMBER	EXERCISABLE AT END OF THE YEAR NUMBER
CONSOLIDATED AND PARENT - 2012								
04/09/06	04/09/11		333,000	-	-	(333,000)	-	-
01/03/08	01/03/12		216,098	-	(152,251)	(63,847)	-	-
01/07/08	01/07/12		600,000	-	(522,000)	-	78,000	78,000
02/09/09	02/09/13		902,425	-	-	-	902,425	-
31/08/10	31/08/14		1,216,195	-	-	(50,250)	1,165,945	-
02/03/11	02/03/15		1,544,291	-	-	(150,000)	1,394,291	-
31/08/11	31/08/15		-	790,200	-	(30,000)	760,200	-
Total			4,812,009	790,200	(674,251)	(627,097)	4,300,861	78,000
CONSOLIDATED AND PARENT - 2011								
05/09/05	05/09/10	\$4.81	231,000	-	-	(231,000)	-	-
04/09/06	04/09/11	\$5.15	333,000	-	-	-	333,000	333,000
01/03/08	01/03/12		491,132	-	(275,034)	-	216,098	216,098
01/07/08	01/07/12		600,000	-	-	-	600,000	-
02/09/09	02/09/13		960,175	-	-	(57,750)	902,425	-
31/08/10	31/08/14		-	1,266,445	-	(50,250)	1,216,195	-
02/03/11	02/03/15		-	1,544,291	-	-	1,544,291	-
Total			2,615,307	2,810,736	(275,034)	(339,000)	4,812,009	549,098

Exercise price

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

The weighted average remaining contractual life of options and rights outstanding at the end of the period was 2.26 years (2011: 2.55 years).

Fair value of share rights granted

The assessed fair value at grant date of the rights granted 31 August 2011 is \$1.17 (31 August 2010 is 96.0 cents).

The valuation inputs for the rights granted 31 August 2011 included:

- (a) rights are granted for no consideration
- (b) exercise price: nil (2011: nil)
- (c) grant date: 31 August 2011 (2011: 31 August 2010)
- (d) expiry date: 31 August 2015 (2011: 31 August 2014)
- (e) share price at valuation date \$3.42 (2011: \$2.87)

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

28 SHARE-BASED PAYMENTS (continued)

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

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

- (a) rights are granted for no consideration
- (b) exercise price: nil
- (c) grant date: 2 March 2011
- (d) expiry date: 2 March 2015
- (e) share price at valuation date: \$3.34

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

Expenses arising from Share-Based Payment Transactions

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

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Rights issued under Share Rights Plans	1,426	1,047	1,426	1,047
	1,426	1,047	1,426	1,047

29 RELATED PARTY TRANSACTIONS

There are no bad or doubtful debts associated with any related party of the Group or parent entity (2011: nil).

(a) Key Management and Personnel Compensation

Key management compensation for the years ended 30 June 2012 and 2011 is set out below. The key management personnel are all the directors of the company, the Chief Executive Officer and the direct reports to the Chief Executive Officer.

	SHORT-TERM BENEFITS \$'000	SHARE-BASED PAYMENTS \$'000	TOTAL \$'000
2012	10,532	1,192	11,724
2011	8,242	835	9,077

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

Information on transactions with key management personnel or entities related to them, other than compensation, is set out over page.

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

29 RELATED PARTY TRANSACTIONS (continued)

(c) Subsidiaries

Interests in subsidiaries are set out in note 30.

(d) Parent

The majority of the parent entity's transactions are with its subsidiaries including the payment of dividends of \$110.2 million (2011: \$100.1 million) and provision of employee services of \$22.1 million (2011: \$18.5 million) on normal commercial terms.

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

(e) Associates

The Group has loaned Christchurch Hotels Limited \$5,125,251 (2011: \$6,235,251) as set out in note 10 on normal commercial terms.

30 SUBSIDIARIES

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

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

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING	
			2012 %	2011 %
Queenstown Casinos Limited	New Zealand	Ordinary	60	60
SKYCITY Action Management Limited	New Zealand	Ordinary	100	100
SKYCITY Auckland Holdings Limited	New Zealand	Ordinary	100	100
SKYCITY Auckland Limited	New Zealand	Ordinary	100	100
SKYCITY Casino Management Limited	New Zealand	Ordinary	100	100
SKYCITY Hamilton Limited	New Zealand	Ordinary	100	100
SKYCITY International Holdings Limited	New Zealand	Ordinary	100	100
SKYCITY Investments Australia Limited	New Zealand	Ordinary	100	100
SKYCITY Investments Christchurch Limited	New Zealand	Ordinary	100	100
SKYCITY Investments Queenstown Limited	New Zealand	Ordinary	100	100
SKYCITY Management Limited	New Zealand	Ordinary	100	100
SKYCITY Metro Limited	New Zealand	Ordinary	100	100
SKYCITY Wellington Limited	New Zealand	Ordinary	100	100
Sky Tower Limited	New Zealand	Ordinary	100	100
Toptown Nominees Limited	New Zealand	Ordinary	100	100
SKYCITY Adelaide Pty Limited	Australia	Ordinary	100	100
SKYCITY Australia Finance Pty Limited	Australia	Ordinary	100	100
SKYCITY Australia Limited Partnership	Australia	Ordinary	100	100
SKYCITY Australia Pty Limited	Australia	Ordinary	100	100
SKYCITY Australia Treasury Pty Limited	Australia	Ordinary	100	100
SKYCITY Darwin Pty Limited	Australia	Ordinary	100	100

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

31 CONTINGENCIES

There are no significant contingencies at year end (2011: nil).

32 COMMITMENTS

Capital Commitments

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

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Property, plant and equipment	27,268	59,695	-	-

Operating Lease Commitments

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

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	6,974	5,482	-	-
Later than one year but not later than five years	18,074	13,419	-	-
Later than five years	322,136	318,673	-	-
Commitments not recognised in the financial statements	347,184	337,574	-	-

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

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

	CONSOLIDATED		PARENT	
	2012 \$'000	2011 \$'000	2012 \$'000	2011 \$'000
Profit for the year	138,534	122,960	70,979	63,480
Non-controlling interest	336	43	-	-
Depreciation and amortisation	72,770	69,710	5,561	5,958
Finance costs net	48,861	43,772	4,171	3,908
Current period employee share entitlement	-	-	-	-
Current period share options expense	1,426	1,047	1,426	1,047
Gain on sale of fixed assets	(1,756)	(1,065)	-	-
Dividend from subsidiary	-	-	(110,178)	(100,133)
Impairment of Christchurch Casino	-	15,000	-	-
Share of profits of associates not received as dividends	(1,484)	(5,233)	-	-
Change in operating assets and liabilities				
Decrease/(increase) in receivables and prepayments	3,928	(7,720)	(66,253)	7,621
Decrease/(increase) in inventories	94	192	-	-
(Decrease)/increase in payables and accruals	(3,666)	9,052	91,708	20,779
(Decrease)/increase in deferred tax liability	(9,719)	(1,057)	-	-
(Increase) in tax receivable	(4)	(22,781)	-	-
Capital items included in working capital movements	12,423	(14,555)	-	-
Subsidiary funding transactions	-	-	(23,199)	(28,864)
Net cash inflow from operating activities	261,743	209,365	(25,785)	(26,204)

34 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Dividend

On 14 August 2012, the directors resolved to provide for a final dividend to be paid in respect of the year ended 30 June 2012. The partially (60%) imputed, partially franked (60%) dividend of 8 cents per share will be paid on 5 October 2012 to all shareholders on the company's register at the close of business on 28 September 2012.

**CORPORATE GOVERNANCE
AND OTHER DISCLOSURES**

FOR THE YEAR ENDED 30 JUNE 2012



CORPORATE GOVERNANCE

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

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

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

1. ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

SKYCITY's procedures are designed to:

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

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

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

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

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

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

2. STRUCTURE THE BOARD TO ADD VALUE

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

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

Board Composition

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

In order to meet these requirements, the board membership comprises a range of skills and experience to ensure that it has a proper understanding of and competence to deal with the current and emerging issues of the business, to effectively review and challenge the performance of management, and to exercise independent judgement. As at 30 June 2012, the board comprised six non-executive directors and a managing director. As at 30 June 2012, the board had also approved the appointment of one further non-executive director subject to approval by regulatory authorities in each of the jurisdictions in which the company operates its gaming activities. These approvals were obtained subsequent to the end of the 2011/2012 year. Biographical details of individual directors are set out in the company's 2012 Shareholder Review.

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

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

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

CORPORATE GOVERNANCE

CONTINUED

Director Independence

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

At its 18 June 2012 meeting, the board reviewed the status of each director in accordance with the independence specification of the NZX Code and taking into account the ASX Independence Guidelines and determined that all current non-executive directors are independent.

Access to Information and Advice

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

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

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

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

Indemnities and Insurance

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

Board Committees

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

The current members and chairperson of each committee are set out in the company's 2012 Shareholder Review and on the company's website.

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

Meeting Attendance

The following table shows attendances at board and committee meetings by directors during the year ended 30 June 2012.

Nine board meetings were scheduled during the year.

	APPOINTMENT TO OFFICE	BOARD SCHEDULED	BOARD UNSCHEDULED	BOARD TOTAL	AUDIT AND RISK REMUNERATION ⁽⁴⁾	GOVERNANCE AND NOMINATIONS	CORPORATE SOCIAL RESPONSIBILITY	
NUMBER OF MEETINGS HELD		9	1	10	3	4	1	0
R H McGeoch	20 September 2002	8	1	9	2	3	1	-
P D Cullinane ⁽¹⁾	26 March 2008	9	1	10	-	2	1	-
P B Harman	18 December 2008	9	1	10	-	4	1	-
C J D Moller	18 December 2008	9	1	10	3	-	1	-
N B Morrison	18 December 2008	9	1	10	-	-	1	-
Sir Dryden Spring ⁽²⁾	31 October 2003	2	-	2	1	1	-	-
B J Carter	12 October 2010	9	1	10	3	-	1	-
S H Suckling ⁽³⁾	9 May 2011	8	1	9	2	3	1	-

(1) PD Cullinane retired as a member of the Remuneration Committee on 20 April 2012 and was appointed a member of the Corporate Social Responsibility Committee on 20 April 2012.

(2) Sir Dryden Spring retired as a director on 30 September 2011.

(3) S H Suckling retired as a member of the Audit and Risk Committee on 20 April 2012.

(4) The Remuneration Committee was renamed the Human Resources Committee in August 2012.

CORPORATE GOVERNANCE

CONTINUED

3. INTEGRITY, ETHICAL BEHAVIOUR AND DIVERSITY

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

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

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

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

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

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

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

SKYCITY believes that diversity contributes to competitive advantage and sustainable business success. The company is committed to an inclusive workplace that fosters and promotes workplace diversity at all levels.

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

The board has set the following measurable objectives to ensure SKYCITY's commitment to diversity is maintained:

- reference and celebrate SKYCITY's commitment to diversity in the company's recruitment materials, staff policies, induction and leadership development programmes;
- increase the company's talent pool of diverse qualified candidates for executive and senior management roles by providing career mentoring and skills-development programmes for women and staff in underrepresented groups - these programmes being specifically tailored to the needs of these groups;
- develop career plans for identified high potential staff in these groups that provide pathways into senior management and executive roles; and
- source best practice diversity representation benchmarks and strive to achieve top quartile performance against appropriate peer comparator companies.

As at 30 June 2012, the proportion of women at SKYCITY (including amongst directors and officers) was as follows:

TOTAL WORKFORCE	SENIOR EXECUTIVE	DIRECTORS
47%	18%	14%

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

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

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

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

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

CORPORATE GOVERNANCE

CONTINUED

The Committee has formally reviewed the independence status of PricewaterhouseCoopers and is satisfied that its objectivity and independence is not compromised as a consequence of non-audit work undertaken for the company. PricewaterhouseCoopers has confirmed to the Committee that it is not aware of any matters that could affect its independence in performing its duties as auditor of the company.

Fees paid to PricewaterhouseCoopers during the 2011/12 year are set out in note 5 to the financial statements. Fees for audit and tax compliance work in the 2011/12 year represent 62% of total PricewaterhouseCoopers fees.

5. TIMELY AND BALANCED DISCLOSURE

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

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

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

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

6. RESPECT AND FACILITATE THE RIGHTS OF SHAREHOLDERS

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

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

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

invited to attend the company's annual meeting to answer any shareholder questions concerning their audit and external audit report. As for last year, this year the company has also provided all shareholders with a Shareholder Review, which contains much of the information previously included in the annual report in a more accessible document.

7. RECOGNISE AND MANAGE RISK

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

SKYCITY maintains an independent, centrally-managed internal audit function which evaluates and reports on financial, operational and management controls across the Group. Management is required to report to the Audit and Risk Committee on the effectiveness of the company's management of its material business risks, with the most recent report being provided in June 2012.

The Audit and Risk Committee approves the internal audit programme, with results and performance of the control environments regularly reviewed by both the committee and the external auditors. The Chief Executive Officer and the Chief Financial Officer are required to confirm in writing to the Audit and Risk Committee that the statement in respect of the integrity of the company's financial statements referred to above is founded on a sound system of risk management and internal compliance and control which implements the policies of the board, and that the company's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects. The most recent confirmations were provided by the Chief Executive Officer and the Chief Financial Officer in August 2012.

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

8. PERFORMANCE EVALUATION

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

The performance review of the board for 2011 was conducted by the chairman of the board (Rod McGeoch) and completed in February 2012. The review involved a formal response/feedback process with a one-on-one meeting involving the chairman and each director individually.

CORPORATE GOVERNANCE

CONTINUED

The board undertakes the performance review of the Chief Executive Officer and those reporting directly to that position in accordance with the company's performance review procedures, with the last review conducted in August 2012.

9. REMUNERATE FAIRLY AND RESPONSIBLY

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

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

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

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

Non-Executive Director Remuneration

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

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

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

For those directors who were in office on or before 1 May 2004, SKYCITY's constitution permits the company, at the discretion of the board, to make a retirement payment to a director (or to his or her dependants), provided that the total amount of the payment does not exceed the total remuneration of the director in his or her capacity as a director in any three years chosen by the company. Retirement allowances for SKYCITY directors were discontinued at 30 June 2004 with retirement allowances accrued to that date frozen as to amount. Sir Dryden Spring retired on 30 September 2011 and received a retirement allowance of \$3,350.93. Rod McGeoch is now the only director eligible for the retirement allowance, currently \$22,913.24. Retirement allowances accrued as at 30 June 2004 do not carry any interest entitlement between 1 July 2004 and the date of payment.

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

Chief Executive Officer Remuneration

Employment Agreement

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

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

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

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

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

If SKYCITY terminates Mr Morrison's employment on notice, or his employment terminates in the event of a fundamental change noted above, entitlements under the Long Term Incentive (LTI)

CORPORATE GOVERNANCE

CONTINUED

Plan referred to below that would otherwise be eligible to vest during the notice period will vest subject to satisfaction of the applicable performance hurdles.

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

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

There is no redundancy entitlement under the agreement.

Long Term Incentive Plan

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

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

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

Remuneration

Mr Morrison's base salary and STI in respect of the year ended 30 June 2012 was \$2,947,535 comprising base salary of \$1,712,000 plus a performance-related STI payment of \$1,235,535 relating to the 2011/12 financial year (being 72% of his base salary as per the formula set by the board at the commencement of the 2011/12 financial year) which was paid in August 2012. The amount of the STI payment was determined by assessing the company's NPAT financial performance over the 2011/12 financial year against budget and Mr Morrison's achievement against a number of specific strategic, non-financial performance targets, which had been set by the board at the start of the financial year.

During the year, Mr Morrison was also paid a performance-related STI of \$1,108,800 relating to the prior 2010/2011 financial year (being 69% of his then applicable base salary), which reflected the board's assessment of his achievement against the STI criteria set for the 2010/2011 financial year.

Mr Morrison was previously issued 491,132 share rights under the Chief Executive Officer Long Term Incentive Plan 2008 approved by shareholders at the company's 2008 annual meeting. Share rights become exercisable when performance hurdles set by the board are met and, if exercised, each share right corresponds to one SKYCITY share. On 16 March 2011, 275,034 share rights converted to 275,034 SKYCITY shares. On 23 September 2011, a further 88,404 share rights converted to 88,404 shares. On 15 March 2012, a further 63,847 share rights converted to 63,847 shares and the balance of 63,847 share rights lapsed in accordance with the terms of the Plan.

Mr Morrison's shareholding in the company and LTI entitlements are detailed on pages 60 and 63 of this annual report.

SKYCITY Employee Remuneration

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

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

CORPORATE GOVERNANCE

CONTINUED

Short Term Incentive Arrangements

Salaried Incentive Plans

Senior Executive STI

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

For the year ended 30 June 2012, a total of \$1,556,804 was paid under the Senior Executive STI Plan to ten executives – an amount equivalent to 32% of combined base salary for this group.

Salaried Employee STI and Individual Bonus Plan

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

Payments under the Salaried STI Plan have a minimum trigger point based on company and business unit financial targets and increase according to the degree by which the company performs relative to these financial targets. For the year ended 30 June 2012, 284 salaried staff participated in the Salaried STI Plan. Based on achievement of individual and financial targets, 283 staff received an average STI payment of 13% of their fixed salaries.

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

In total, 142 SKYCITY salaried personnel were paid incentives totalling \$340,000 under the Salaried STI and IB Plans.

The board has approved the continuation of the Senior Executive and Salaried STI Plans and the IB Plan for 2012/13 with minimal changes.

Long Term Incentive Arrangements

Executive Share Plan 2009

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

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

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

Details of the shares issued under the LTI Plan 2009 and outstanding as at 10 September 2012 are set out on page 63 of this annual report.

Executive Share Rights Plan 2008

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

Under the Rights Plan 2008, selected senior executives were issued share rights entitling them to receive shares based on the company's achievement of designated performance hurdles. The performance hurdles involved comparison of the total shareholder return (TSR) achieved by SKYCITY against the shareholder returns achieved by a group of comparable Australasian companies (comparator group), and by the companies whose securities are in the NZSX50 index (index group).

In accordance with the terms of the Rights Plan 2008, performance was assessed on 1 July 2011, 1 January 2012 and, finally, on 1 July 2012. All remaining rights under the Rights Plan 2008 which had not previously become exercisable lapsed following the final performance testing date of 1 July 2012 on the basis that the relevant performance hurdles had not been fully satisfied. Accordingly, no share rights are currently issued and outstanding under the Rights Plan 2008.

10. RECOGNISE THE OBLIGATIONS TO ALL STAKEHOLDERS

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

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

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

CORPORATE GOVERNANCE

CONTINUED

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

SKYCITY confirms that other than as set out below it has complied with the NZX Corporate Governance Best Practice Code and the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations during the 2011/12 year:

- The company has not included the biographical details of its current directors, or details of current members and chairpersons of its board committees, in this annual report. Their details are contained in the company's 2012 Shareholder Review and are available at all times on the company's website.
- The company does not make available to external parties certain internal policies and procedures. SKYCITY believes that the board charter and the comprehensive references to governance in this annual report and on the company's website provide good disclosure of the company's internal processes and mechanisms and that the underlying intention of the ASX Corporate Governance Council's recommendations on reporting of internal mechanisms have been met.
- Shareholders have not approved the SKYCITY senior executive rights and share plans. The Executive Share Rights Plan 2008 was approved by the board in December 2008. As noted above, on 1 July 2012, all remaining rights under this Plan which had not become exercisable lapsed. The Executive Share Rights Plan 2008 was similar to the Long Term Incentive Plan approved for the Chief Executive Officer at the annual meeting in 2008. The Executive Share Rights Plan 2008 set out a remuneration structure for senior executives entitling them to receive shares based on the company's achievement of designated performance hurdles, which involved comparison of the total shareholder return achieved by SKYCITY against the shareholder returns achieved by a group of comparable Australasian companies, and by the companies whose securities were in the NZSX50 index. The Executive Share Rights Plan 2008 imposed a three year restriction before benefits could be realised by participants. The Executive Share Plan 2009 (which replaced the Executive Share Rights Plan 2008) was approved by the board in September 2009 in respect of the 2009/10 financial year and subsequent years and, other than the two key differences detailed above, the terms remain unchanged from the Executive Share Rights Plan 2008.

SHAREHOLDER INFORMATION

TWENTY LARGEST SHAREHOLDERS AS AT 15 AUGUST 2012

	NUMBER OF SHARES	% OF SHARES
1. HSBC Nominees (New Zealand) Limited A/C State Street	38,424,447	6.66%
2. JP Morgan Chase Bank NA	35,262,840	6.11%
3. Accident Compensation Corporation	32,650,213	5.66%
4. National Nominees Limited	27,683,960	4.80%
5. HSBC Nominees (New Zealand) Limited	27,522,161	4.77%
6. National Nominees New Zealand Limited	27,412,465	4.75%
7. JP Morgan Nominees Australia Limited	24,645,190	4.27%
8. Citibank Nominees (New Zealand) Limited	21,729,736	3.77%
9. RBC Investor Services Australia Nominees Pty Limited	18,680,198	3.24%
10. New Zealand Superannuation Fund Nominees Limited	17,726,279	3.07%
11. HSBC Custody Nominees (Australia) Limited	16,964,551	2.94%
12. Premier Nominees Limited - Onepath Wholesale Australasian Shr Fund	11,253,730	1.95%
13. BNP Paribas Nominees (NZ) Limited	9,728,928	1.69%
14. AMP Investments Strategic Equity Growth Fund	7,088,705	1.23%
15. NZGT Nominees Limited - AIF Equity Fund	6,920,608	1.20%
16. Private Nominees Limited	6,463,208	1.12%
17. TEA Custodians Limited	5,796,988	1.00%
18. Westpac NZ Shares 2002 Wholesale Trust	5,561,753	0.96%
19. FNZ Custodians Limited	5,303,093	0.92%
20. BNP Paribas Noms Pty Ltd	5,269,253	0.91%
Total	352,088,306	61.02%

Total shares on issue as at 15 August 2012 were 576,958,340 of which 4,517,313 were held by Public Trust on behalf of eligible and future participants pursuant to the Chief Executive Officer Long Term Incentive Plan 2009 and the Executive Long Term Incentive Plan 2009. No shares were held by the company directly as treasury stock.

SHAREHOLDER INFORMATION

CONTINUED

DISTRIBUTION OF ORDINARY SHARES AND REGISTERED SHAREHOLDINGS AS AT 15 AUGUST 2012

	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES
1 - 1,000	3,562	1,397,126
1,001 - 5,000	9,381	25,981,893
5,001 - 10,000	3,603	25,556,641
10,001 - 100,000	3,235	72,809,489
> 100,000	179	451,213,191
Total	19,960	576,958,340

As at 15 August 2012, there were 1,259 shareholders (with a total of 88,440 shares) holding less than a marketable parcel of shares under the ASX Listing Rules, based on the closing share price of A\$2.74. The ASX Listing Rules define a marketable parcel of shares as a parcel of shares of not less than A\$500.

SUBSTANTIAL SECURITY HOLDERS

In accordance with section 26(1) of the Securities Markets Act 1988, the following persons had given notice as at 15 August 2012 that they were substantial security holders in the company and held a relevant interest in the number of ordinary shares shown below.

	DATE OF SUBSTANTIAL SECURITY NOTICE	RELEVANT INTEREST IN NUMBER OF SHARES	% OF SHARES HELD AT DATE OF NOTICE
Accident Compensation Corporation	2 July 2012	34,673,549	6.01%
Investors Mutual Limited	8 August 2012	28,927,533	5.01%

No further substantial security holder notices had been received as at 10 September 2012.

DIRECTOR AND EMPLOYEE REMUNERATION

REMUNERATION OF DIRECTORS

Non-Executive Directors

Remuneration paid to directors for services in their capacity as directors of SKYCITY Entertainment Group Limited during the year ended 30 June 2012 is as listed below:

R H McGeoch (Chairman)	\$250,000
P D Cullinane	\$136,972
P B Harman	\$145,000
C J D Moller	\$155,000
Sir Dryden Spring ⁽¹⁾	\$37,500
B J Carter	\$162,339
S H Suckling	\$147,042

(1) Sir Dryden Spring retired as a director on 30 September 2011. In addition to remuneration paid for services in his capacity as a director, he was paid \$3,350.93 as a retirement payment in October 2011 following retirement from the board.

Richard Didsbury received total remuneration of \$86,625 during the 2011/12 year. Richard Didsbury was appointed a director of the company following the end of the 2011/2012 year on 20 July 2012. From 20 July 2012, remuneration payable to Richard Didsbury will be in respect of services provided in his capacity as a director. Prior to his appointment as a director, Richard Didsbury provided consultancy services to the Group and remuneration paid was in respect of consultancy services.

No other non-executive director of the Group or parent company has, since the end of the financial year, received or become entitled to receive a benefit other than director's fees for the 2011/2012 financial year or reimbursement of expenses incurred in relation to company matters, or as is disclosed elsewhere in this annual report.

Other Directorships

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

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

EMPLOYEE REMUNERATION

The numbers of employees or former employees of the company and its subsidiaries, not being directors of the company, who received remuneration and other benefits in their capacity as employees, the value of which was in excess of \$100,000 and was paid to those employees during the financial year ended 30 June 2012, are listed below.

Remuneration includes salary, incentive payments under the SKYCITY performance pay incentive plan and short term cash bonuses and, where applicable, the value of executive share options, rights and shares expensed during the year ended 30 June 2012. Remuneration shown below also includes settlement payments and payments in lieu of notice with respect to certain employees upon their departure from the company.

REMUNERATION	EMPLOYEES
\$100,000-\$109,999	46
\$110,000-\$119,999	29
\$120,000-\$129,999	24
\$130,000-\$139,999	20
\$140,000-\$149,999	12
\$150,000-\$159,999	10
\$160,000-\$169,999	5
\$170,000-\$179,999	4
\$180,000-\$189,999	7
\$190,000-\$199,999	6
\$200,000-\$209,999	4
\$220,000-\$229,999	3
\$230,000-\$239,999	3
\$240,000-\$249,999	3
\$250,000-\$259,999	2
\$260,000-\$269,999	1
\$270,000-\$279,999	1
\$290,000-\$299,999	1
\$300,000-\$309,999	1
\$380,000-\$389,999	2
\$390,000-\$399,999	1
\$400,000-\$409,999	2
\$410,000-\$419,999	1
\$560,000-\$569,999	1
\$620,000-\$629,999	1
\$640,000-\$649,999	1
\$660,000-\$669,999	1
\$690,000-\$699,999	1
\$710,000-\$719,999	2
\$770,000-\$779,999	1
\$800,000-\$809,999	1
\$1,120,000-\$1,129,999	1
Total	198

DIRECTORS' DISCLOSURES

INTERESTS REGISTER

Disclosure of Directors' Interests

Section 140(1) of the New Zealand Companies Act 1993 requires a director of a company to disclose certain interests. Under subsection (2) a director can make disclosure by giving a general notice in writing to the company of a position held by a director in another named company or entity. The following are particulars included in the company's Interests Register as at 30 June 2012 (notices given by directors during the year ended 30 June 2012 are marked with an asterisk):

R H McGeoch

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

B J Carter

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

P D Cullinane

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

P B Harman

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

C J D Moller

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

S H Suckling

Acemark Holding Limited	Managing Director*
Barker Fruit Processors and certain subsidiaries	Chair
ECL Group Limited	Chair
HSR Governance Limited	Managing Director*
New Zealand Qualifications Authority	Chair
Oxford Clinic Hospital Limited	Director
Oxford Health Group Limited	Director
Restaurant Brands New Zealand Limited	Director
Takeovers Panel	Member

The following details included in the Interests Register as at 30 June 2011, or entered during the year ended 30 June 2012, have been removed during the year ended 30 June 2012:

- R H McGeoch is no longer a director of Events New South Wales Pty Limited or a member of the NSW Board of Advice for Aon New Zealand.
- S H Suckling is no longer chairperson of Stretton Publishing Company Limited, acting chairperson of Basketball New Zealand or a director of Stretton Clothing Company Limited and Carter Price Rennie Limited.

DIRECTORS' DISCLOSURES

CONTINUED

DIRECTORS' AND OFFICERS' INDEMNITIES

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

DISCLOSURE OF DIRECTORS' INTERESTS IN SHARE TRANSACTIONS

Directors disclosed, pursuant to section 148 of the New Zealand Companies Act 1993, the following acquisitions and disposals of relevant interests in SKYCITY shares during the period to 30 June 2012:

	DATE OF ACQUISITION/ DISPOSAL DURING PERIOD	CONSIDERATION	SHARES ACQUIRED/ (DISPOSED)
B J Carter	7 October 2011 ⁽¹⁾	NZ\$2,309.41	692
N B Morrison	23 September 2011	Nil ⁽²⁾	(88,404)
	23 September 2011	Nil ⁽²⁾	88,404
	15 March 2012	Nil ⁽²⁾	(127,694) ⁽³⁾
	15 March 2012	Nil ⁽²⁾	63,847

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

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

(3) 63,847 share rights converted to shares and balance of 63,847 share rights lapsed in accordance with the terms of the Chief Executive Officer Long Term Incentive Plan 2008.

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

Directors disclosed the following relevant interests in SKYCITY shares as at 30 June 2012:

	SHARES BENEFICIALLY HELD
R H McGeoch	69,091 ⁽¹⁾
B J Carter	31,418 ⁽²⁾
P D Cullinane	17,250
P B Harman	22,273 ⁽³⁾
	10,000 ⁽⁴⁾
C J D Moller	26,915 ⁽⁵⁾
N B Morrison	627,285
	82,233 ⁽⁶⁾
	1,876,536 ⁽⁷⁾

(1) Shares held by McGeoch Holdings Pty Limited.

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

(3) Shares held by Forbar Nominees Limited.

(4) Shares held by Investment Custodial Services Limited.

(5) Shares held by First NZ Capital Limited.

(6) Shares held by Perpetual Limited.

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

S H Suckling did not have any relevant interest in SKYCITY shares as at 30 June 2012.

NOTEHOLDER INFORMATION

CAPITAL NOTES

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

As at 15 August 2012, SKYCITY was the holder of 93,549,500 capital notes as treasury stock. The capital notes held by SKYCITY are not included in the table below.

TWENTY LARGEST CAPITAL NOTEHOLDERS AS AT 15 AUGUST 2012

	NUMBER OF CAPITAL NOTES	% OF CAPITAL NOTES
1. FNZ Custodians Limited	4,063,000	2.71%
2. Investment Custodial Services Limited - A/C C	1,589,000	1.06%
3. Custodial Services Limited - A/C 3	997,000	0.66%
4. FNZ Custodians Limited - DRP NZ A/C	892,000	0.59%
5. Invercargill Licensing Trust	500,000	0.33%
6. Custodial Services Limited - A/C 4	484,000	0.32%
7. Custodial Services Limited - A/C 2	370,000	0.25%
8. Forsyth Barr Custodians Limited - 1-17.5	316,000	0.21%
9. Hugh McCracken Ensor & Vivienne Margaret Ensor - HMVE Family A/C	300,000	0.20%
10. Frimley Foundation	300,000	0.20%
11. H B Williams Turanga Trust - HB Williams Turanga A/C	300,000	0.20%
12. Resolution Investments Ltd	300,000	0.20%
13. Forsyth Barr Custodians Limited - 1-30	275,000	0.18%
14. Forsyth Barr Custodians Limited - 1-33	246,000	0.16%
15. Custodial Services Limited - A/C 6	240,000	0.16%
16. John Archer & Pearl Archer	200,000	0.13%
17. Fraser Smith Holdings Limited	200,000	0.13%
18. JBWere (NZ) Nominees Limited - A/C 31873	200,000	0.13%
19. Kings College Foundation	200,000	0.13%
20. John Richard Matthews & Rosemary Jennifer Matthews & Bruce Redvers Perkins - Matthews A/C	200,000	0.13%
Total	12,172,000	8.08%

DISTRIBUTION OF CAPITAL NOTE HOLDINGS AS AT 15 AUGUST 2012

	NUMBER OF NOTEHOLDERS	NUMBER OF CAPITAL NOTES
1 - 1,000	1	250
1,001 - 5,000	232	1,160,000
5,001 - 10,000	447	4,181,500
10,001 - 100,000	1,080	35,645,750
> 100,000	43	109,012,500
Total	1,803	150,000,000

COMPANY DISCLOSURES

STOCK EXCHANGE LISTINGS

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

SKYCITY Entertainment Group Limited has been designated as 'Non-Standard' by the NZX due to the nature of the company's constitution. In particular, the constitution places restrictions on the transfer of shares in the company in certain circumstances and provides that votes and other rights attached to shares may be disregarded and shares may be sold if these restrictions are breached, as more particularly described on pages 63 and 64 of this annual report.

SKYCITY ENTERTAINMENT GROUP LIMITED

The following persons held office as directors of SKYCITY Entertainment Group Limited as at the end of the 2011/2012 financial year, being 30 June 2012: R H McGeoch, B J Carter, P D Cullinane, P B Harman, C J D Moller, S H Suckling and N B Morrison.

Sir Dryden Spring retired as a director of SKYCITY Entertainment Group Limited on 30 September 2011.

SUBSIDIARY COMPANIES

Subsidiary Company Directorships

The following persons held office as directors of subsidiaries of SKYCITY Entertainment Group Limited as at the end of the 2011/2012 financial year, being 30 June 2012:

- Directors: N B Morrison and P A Treacy:
 - Planet Hollywood (Civic Centre) Limited
 - SKYCITY Action Management Limited
 - SKYCITY Auckland Holdings Limited
 - SKYCITY Auckland Limited
 - SKYCITY Casino Management Limited
 - SKYCITY Hamilton Limited
 - SKYCITY International Holdings Limited
 - SKYCITY Investments Australia Limited
 - SKYCITY Investments Christchurch Limited
 - SKYCITY Investments Queenstown Limited
 - SKYCITY Management Limited
 - SKYCITY Metro Limited
 - SKYCITY Wellington Limited
 - Sky Tower Limited
 - Toptown Nominees Limited

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

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

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

SKYCITY Treasury Australia Pty Limited

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

SKYCITY Darwin Pty Limited

Changes to Non-Wholly Owned Company Directorships

The changes to SKYCITY executives on the boards of non-wholly owned subsidiaries in the 12 month period ended 30 June 2012 are set out below:

- A B Ryan resigned as a director of the following companies on 30 June 2012:

Christchurch Casinos Limited
Christchurch Hotels Limited
Premier Hotels (Christchurch) Limited
Queenstown Casinos Limited

- P A Treacy was appointed as a director of the following companies on 30 June 2012:

Christchurch Casinos Limited
Christchurch Hotels Limited
Premier Hotels (Christchurch) Limited

- N B Morrison was appointed as a director of Queenstown Casinos Limited on 30 June 2012.

Non-wholly Owned Company Directorships

At 30 June 2012, SKYCITY also had an interest in, and was represented by SKYCITY executives on the boards of, the companies listed below:

- SKYCITY representatives on the board - N B Morrison and P A Treacy:

Christchurch Casinos Limited
Christchurch Hotels Limited
Premier Hotels (Christchurch) Limited
Queenstown Casinos Limited

- SKYCITY representative on the board - N B Morrison:

Force Location Limited

OTHER INFORMATION

WAIVERS FROM THE NEW ZEALAND AND AUSTRALIAN STOCK EXCHANGES

No waivers were sought from either of the NZX or ASX Listing Rules within the 12 month period preceding the date two months before the date of this annual report. For the same period the company relied upon the following waiver:

- on 9 February 2011, NZX granted a waiver from LR 7.11.1 (relating to the requirement for allotment to occur within five business days following the latest date on which applications for securities close) in relation to the allotment of shares pursuant to the company's dividend reinvestment plan.

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

SHARE AND SHARE RIGHTS HOLDERS

As at 10 September 2012, shares and share rights on issue were as detailed below:

- 1,876,536 shares issued under the Chief Executive Officer Long Term Incentive Plan approved by shareholders at the 2009 annual meeting, held by Public Trust on behalf of the Chief Executive Officer. The shares have been purchased by Mr Morrison under the Chief Executive Officer Long Term Incentive Plan with the assistance of interest-free loans and are held on behalf of Mr Morrison by Public Trust for a restrictive period. The shares vest in Mr Morrison only when performance hurdles set by the board of directors are met; and
- 2,217,325 shares issued under the Executive Long Term Incentive Plan approved by directors in September 2009, held by Public Trust on behalf of 18 participants. The shares have been purchased by the participants under the Executive Long Term Incentive Plan with the assistance of interest-free loans and are held on behalf of the participants by Public Trust for a restrictive period. The relevant shares vest in a participant only when performance hurdles set by the board of directors are met.

LIMITATIONS ON ACQUISITION OF ORDINARY SHARES

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

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

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

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

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

TRANSFER OF SHARES

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

- holding more than 5% of the shares in SKYCITY; or
- increasing their combined holding further beyond 5% if:
 - they already hold more than 5% of the shares in SKYCITY; and
 - the transferee has not been approved by the relevant regulatory authority as an associated casino person of any casino licence holder,
- then the votes attaching to all shares held by the transferee and the persons associated with that transferee are suspended unless and until either:
 - each regulatory authority advises that approval is not needed; or
 - any regulatory authority which determines that its approval is required approves the transferee, together with the persons associated with that transferee, as an associated casino person of any applicable casino licence holder; or
- the board of the company is satisfied that registration of the proposed transfer will not prejudice any casino licence; or
- the transferee and the persons associated with that transferee dispose of such number of SKYCITY shares as will result in their combined holding falling below 5% or, if the regulatory authorities approve in respect of the transferee and the persons associated with that transferee a higher percentage, the lowest such percentage approved by the regulatory authorities.

OTHER INFORMATION

CONTINUED

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

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

DONATIONS

Donations of \$33,522 were made by the company during the 12 month period ended 30 June 2012 (\$1,035,664 during the 12 months ended 30 June 2011).

OTHER LEGISLATION/REQUIREMENTS

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

Other than the provisions noted on pages 63 and 64, the only significant restrictions or limitations in relation to the acquisition of securities are those imposed by New Zealand laws relating to takeover, overseas investment and competition.

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

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

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

OTHER DISCLOSURES

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

From time to time, the Public Trust acquires shares in the company on-market for the purposes of the Chief Executive Officer Long Term Incentive Plan 2009 and Executive Long Term Incentive Plan 2009 as referred to above. In addition, SKYCITY (or a nominee or agent of SKYCITY) may, from time to time, acquire existing shares in the company to satisfy its obligations to participating shareholders under the company's Dividend Reinvestment Plan established in February 2011. As at 17 September 2012, the company does not have in place an on-market share buy-back programme.

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

There are no material differences between NZX Appendix 1 and ASX Appendix 4E issued by SKYCITY Entertainment Group Limited on 15 August 2012 in respect of the year ended 30 June 2012 and this annual report.

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

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Commonwealth Bank of Australia

Bank of New Zealand

Westpac New Zealand

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We would like to thank the following SKYCITY staff members for their time and use of their images within this year's Annual Report:

Nava Fedaeff, Eugene Yan, Liam Mundt, Carl Maunder, Jim Tully, Yi Jun (Aileen) Zhu, Raine Liu, Jared Holt, Rebekah Bird.



ANNUAL REPORT 2012



Casino · Hotel & Resort · Health Retreat & Spas · Property Development



PLAY • STAY • ENJOY

LASSETERS INTERNATIONAL HOLDINGS LIMITED

This document has been prepared by the Company and its contents have been reviewed by the Company's sponsor, Stamford Corporate Services Pte Ltd (the "Sponsor"), for compliance with the relevant rules of Singapore Exchange Securities Trading Limited (the "Exchange"). The Sponsor has not independently verified the contents of this document. This document has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements of opinions made or reports contained in this document. The contact person for the Sponsor is Mr Bernard Lui (Telephone : (65) 6389 3092 Email : Bernard.lui@stamfordlaw.com.sg)

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CORPORATE VALUES

MISSION

Lasseters aims to excel in its performance by enlarging its customer base and broadening its spectrum of businesses through casino development, hotel, resort, health retreat and spa businesses. It will evolve its business into an integrated resort with gaming still forming the core. Lasseters will venture into new markets, form strategic alliances and at the same time leverage on the synergies among its range of businesses.

Casino management and IT applications are envisaged to play a pivotal role in attracting players to Lasseters' gaming segment whilst the strong brand recognition for hospitality and spas, with each brand and product line targeting distinct market segment.

PEOPLE

Lasseters' success in casino and hospitality industries is due in great part to its experienced, hardworking and dedicated staff. It is these professionals and their unrivalled wealth of know-how and expertise which help to give Lasseters the crucial edge over its competitors and provide its casino and resort guests with the high standards of service and hospitality that have come to be synonymous with Lasseters' business outfit.

ADHERENCE TO GOVERNMENT REGULATIONS AND ANTI-MONEY LAUNDERING

Lasseters is fully aware of the effects money laundering can have on society and so it whole-heartedly respects its obligation to ensure the legality and security of all its financial transactions. The Company takes all necessary precautions and measures to avoid and prevent any involvement whatsoever with such perfidy in its operations by working closely with experts and national authorities, and by adhering strictly to all relevant legislation. Lasseters' vast experience, strict financial procedures, network of security and financial experts ensure the financial integrity of all its casino operations.

Lasseters Hotel Casino in Alice Springs complies with the Gaming Control Act of Northern Territory ("NT"), the NT Code of Practice for Responsible Gambling and rules issued by The Australian Transaction Reports and Analysis Centre (AUSTRAC) and Anti-Money Laundering and Counter Terrorism Financing Act. In New Zealand, the casino operation of Lasseters Wharf Casino is governed by the Gambling Act 2003 and anti-money laundering controls such as the Financial Transactions Reporting Act 1986. The Queensland ("QLD") and New South Wales ("NSW") operations are governed by the respective state legislations such as the Liquor Licensing Act, Gaming Machines Act and the Code of Practice.

The Holiday Inn on Flinders, Melbourne, complies with the Liquor Control Reform Act 1998 (Vic), the Food Act 1984, The Health Act 1958 and the Radio-communications Act 1992.

INTERNAL CONTROLS AND RISK MANAGEMENT

Lasseters operates in an environment which requires the Company to conform to strict guidelines laid down by NT, NSW and QLD in Australia and New Zealand

governments through specific legislation. Standard operating procedures for gaming are well documented in internal control manuals which are endorsed by the relevant authorities and Board members from time to time.

RESPONSIBLE GAMING

Lasseters takes its responsibility to society with the utmost seriousness and is committed to providing maximum entertainment with minimum risk to guests. Nonetheless, Lasseters understands the problems gambling can cause for some people. The Company actively promotes responsible gaming in all its casinos and their staff are fully trained to recognize and deal with such issues. Minors are restricted from access to the premises, credit gaming is prohibited and an electronic wallet limit is set. Lasseters works closely with Independent Gaming Group and national authorities to implement appropriate measures and procedures to ensure that each operation adheres strictly to the prevailing standards on harm minimization.

CORPORATE PROFILE



Lasseters International Holdings Limited ("Lasseters" or collectively known as the "Group") was established in February 2004 and officially listed on SGX-Sesdaq (the former Catalist Board) in May 2004. Lasseters started off as a land-based gaming group with complementary hospitality businesses in accommodation, food & beverage and convention centre services in Australia and New Zealand.

To expand its business portfolio to increase market competitiveness, Lasseters expanded into health retreats, spa and wellness living markets with the acquisition of Cypress Lakes Group Limited ("CLGL") in July 2005. It has since evolved into a hospitality player with comprehensive service offerings in both gaming and non-gaming businesses.

The Group's business model generates revenue by offering a wide range of leisure and entertainment experiences through its portfolio of hotel casinos, convention centres, resorts, health retreat and spas. It operates in a jurisdiction where the gaming industry is well developed, where there are stringent controls in place to ensure all gaming operators conduct their business in a transparent and proper manner. Most importantly, money laundering prevention guidelines are strictly adhered to.

In addition, the Group is committed to conducting its casino business in line with world-class standards of excellence

and integrity and in conformity with AS/NZS ISO 9001:2000, an international standard which requires strict systems of monitoring and auditing, designed to increase customer confidence and satisfaction.

Lasseters operates its core land-based gaming businesses through two establishments, *Lasseters Hotel Casino* and *Lasseters Wharf Casino*; resorts, health retreats and spa businesses through CLGL under the premium name of "*Cypress Lakes*" and "*The Golden Door*".

LAND-BASED GAMING ESTABLISHMENTS

Lasseters Hotel Casino ("LHC") is nestled beneath the renowned MacDonnell Ranges, banks of the Todd River, next to the Ayers Rock or "Uluru" in Alice Springs, second largest town in the Northern Territory ("NT"), Australia. Alice Springs is renowned for arid environment consisting of several different deserts that offers a true Outback experience to both locals and tourists.

Originally constructed in 1981, LHC is the centre of entertainment in Alice Springs. This 4½ star establishment boasts 205 rooms and suites overseeing the nearby 18-hole Alice Springs Golf Club. LHC houses an international standard casino fully furnished with table games and gaming machines complemented

by a comprehensive range of food & beverages ("F&B") outlets and well-equipped amenities. LHC adjoins and manage the Alice Springs Convention Centre ("Convention Centre") that caters to the needs of the Meetings, Incentives, Conferencing and Exhibitions ("MICE") market.

LHC has participated actively in assisting NT Tourist Commission and NT Government to jointly promote Alice Springs as a unique destination and also supported the town with its donations in most prominent as well as smaller events, charities, sports teams and local schools. LHC was also synonyms of high quality and dependable services that customers can rely on for maximum satisfaction in the region. Several accolades won includes AHA Aristocrat Technology Award for Excellence for Best Overall Regional Hotel, Best Casual/Family Dining, Best Sports Entertainment and Best NT Keno Venue; Qantas Australian Tourism Bronze Award for Deluxe Accommodation; Brolga Northern Territory Tourism Award for Deluxe Accommodation and Chairman's Choice Award; and Harbottle On Premise Restaurant & Catering Award for Excellence for Best New Venue and Best Informal Dining/Family Restaurant. LHC was even awarded a Certificate of Excellence by TripAdvisor Travellers Choice Award 2012.

LHC complies with the Gaming Control Act of NT; the NT Code of Practice for

CORPORATE PROFILE



Responsible Gambling; and rules issued by The Australian Transaction Reports and Analysis Centre (AUSTRAC).

Lasseters Wharf Casino ("LWC") is a premium boutique casino conveniently located 20 minutes away from Queenstown Airport, on the edge of Lake Wakatipu. LWC is situated in the exclusive lakeside Steamer Wharf Complex, regarded as the most popular skiing holiday destination in New Zealand for local and international tourists.

LWC holds one out of the 6 limited gaming licenses issued in New Zealand. The limited number of such licenses in New Zealand, a country rated as Tier-1 gaming jurisdiction made LWC a privileged business opportunity for the Group. LWC has introduced a waterfront F&B outlet to complement its gaming operations back in FY2011.

RESORTS, HEALTH RETREATS AND SPA

Cypress Lakes Group Limited ("CLGL") owns and operates resort, hotel, health retreat and spa businesses within Australia. The resort sector comprises of Cypress Lakes Resort ("CLR") and Cypress Lakes Golf and Country Club ("CLGCC"), both located in Hunter Valley, New South Wales ("NSW"), Australia's oldest wine regions and are located less than 2 hours drive away from Sydney central business district. CLR is a golf resort comprises

of 232 individual strata title villas and CLGCC houses an 18 holes championship golf course, popular among all golfers.

The health retreat and spas segment is managed by The Golden Door Australia within CLGL and are branded under the market leading banner "The Golden Door". In addition to 2 Day Spas facilities at Gold Coast, Queensland ("QLD") and Salt, Kingscliff in NSW, CLGL owns and operates 2 primarily world leading purpose-built health retreats namely, The Golden Door Health Retreat Willowvale ("TGDW") in QLD and The Golden Door Elysia ("TGDE") in Hunter Valley, NSW. TGDW and TGDE offer all-inclusive health and wellness programs aimed at helping people improve their overall health and well-being in 3, 5 or 7-day packages. Activities offered within the programs; amongst others include Tai Chi, Pilates, Yoga, Deep Water running and hiking.

As part of the cost reduction strategy, CLGL was voluntarily delisted from Australian Securities Exchange on 9 December 2009.

CLGL has successfully completed its acquisition of the freehold and business interest of Holiday Inn on Flinders ("HIF"), Melbourne, Australia in early March 2010. HIF is strategically located within the central business district in Melbourne, a city reputed as one of the highest achiever on room occupancy rate within Australia, with close proximity to

Melbourne Exhibition and Convention Centre, Crown Casino, Etihad Stadium to name a few.

Cypress is the winner several accolades such as Luxury Reborn Award for Peace, Beauty/Spas' Harpers Bazaar/Belvedere Vodka Luxury Reborn Awards; Gourmet Traveller Travel Awards, Best Spa/ Health Retreat; Spa Asia Crystal Awards, National Category, Best Spa in Australia; Luxury Travel Gold Awards in the Golden Door Health Retreat Elysia and the 'Australasia's Leading Spa Resort' - 13th World Travel Awards, to name a few.

PROPERTY DEVELOPMENT

The Group has acquired 80% equity interest in Merry Palms Sdn Bhd ("MPSB") in FY2011. MPSB is principally engaged in property development, management and related industries and through MPSB; the Group purchased a piece of leasehold land measuring seven acres in Malaysia to develop sixteen units of industrial factory lots. This is the Group's maiden property development project. Leveraging on the board's experience in the related industry of property development, the Group hope to diversify its revenue base and enhance shareholders' return through this new investment.

BUSINESS MODEL

Lasseters' business model offers and evolves a range of associated services, such as hotel, villa resort, golf club, convention centre, banquets, conferences, entertainment, spa and wellness, property development and a whole array of food & beverage options that revolve around its core gaming business. These services in turn assist in generating gaming patronage and revenue for the Group.

"The service quality, integrity, responsibility and respect for tradition that are reflected in all our business services are also driving forces behind our success."



BUSINESS MODEL

CORE BUSINESS



Casino



Hotel & Resort

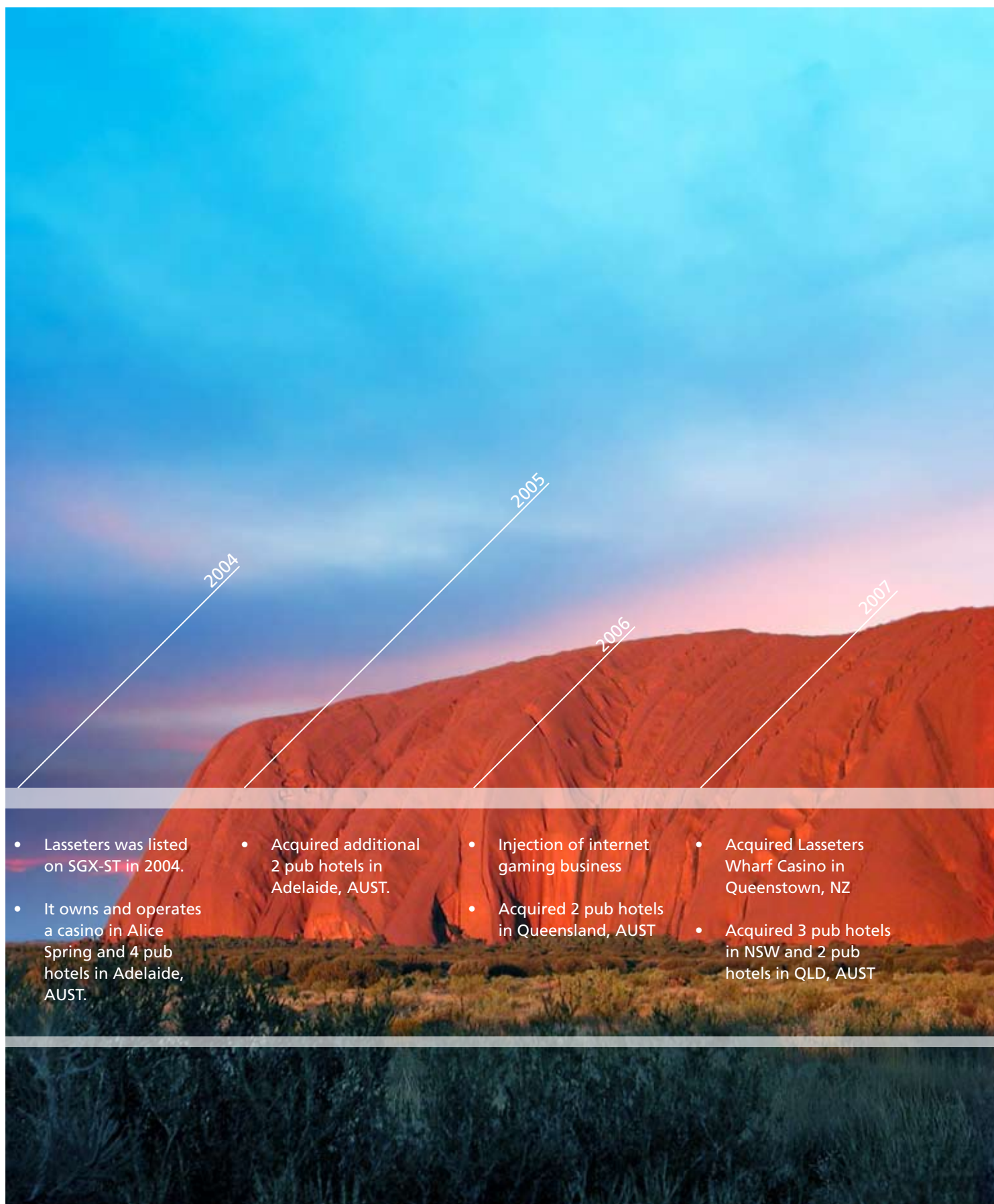


Health Retreat & Spas



Property Development

CORPORATE MILESTONE



2004

2005

2006

2007

- Lasseters was listed on SGX-ST in 2004.
- It owns and operates a casino in Alice Spring and 4 pub hotels in Adelaide, AUST.
- Acquired additional 2 pub hotels in Adelaide, AUST.
- Injection of internet gaming business
- Acquired 2 pub hotels in Queensland, AUST
- Acquired Lasseters Wharf Casino in Queenstown, NZ
- Acquired 3 pub hotels in NSW and 2 pub hotels in QLD, AUST

CORPORATE MILESTONE



2009

- Ceased internet gaming business
- Disposal of the Group's 12 pub hotels business to Independent Pub Group to refocus on its core business

2010

- Acquired Holiday Inn on Flinders, Melbourne

2011

- Acquired 7 acres of leasehold industrial development land in Malaysia by Merry Palms Sdn Bhd.

2012

- Completion of new hotel block and resort-styled pool under Phase 1 of LHC expansion plan

CORPORATE INFORMATION



BOARD OF DIRECTORS

Dato' Jaya J B Tan

Executive Chairman

Dato' Kamal Y P Tan

Executive Director

Tan San Chuan

Executive Director

Dato' Sri Ir. Kuan Peng Ching @

Kuan Peng Soon

Independent Director

Hon. Frederick Arthur Finch AM

Independent Director

Teo Chee Seng

Independent Director

COMPANY SECRETARIES

S Surenthiraraj @ S Suresh

Kok Mor Keat, ACIS

REGISTERED OFFICE

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AUDITORS

BDO LLP

Public Accountants and
Certified Public Accountants

21 Merchant Road, #05-01

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Singapore 058267

Partner-in-charge :

Mr William Ng Wee Liang

(Appointed since the financial year
ended 30 June 2012)

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Singapore 049320

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Westpac Banking Corporation
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SOLICITORS

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Singapore 049315



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PLAY – Unparallel excitement awaits our guest when they enter our casinos. It's a place where fun and entertainment abounds as each moment passes by. Play to Enjoy and Stay to savor the overall experience.

BOARD OF DIRECTORS



From left to right:

1. Dato' Jaya J B Tan
2. Teo Chee Seng
3. Dato' Sri Ir. Kuan Peng Ching @
Kuan Peng Soon
4. Hon. Frederick Arthur Finch AM
5. Tan San Chuan
6. Dato' Kamal Y P Tan

BOARD OF DIRECTORS



BOARD OF DIRECTORS

Dato' Jaya J B Tan

Executive Chairman

Member of Nominating Committee

Dato' Jaya was appointed as a Director of the Company with effect from 26 February 2004 and assumed the current position of Executive Chairman on 1 September 2005. He graduated from the University of Arizona and is a Mechanical Engineer by training. He has extensive experience in forestry, property development, food retail operations, trading and financial services. He has served as Chairman of several companies quoted on the stock exchanges of Malaysia, United Kingdom, Singapore, Australia and India.

Currently, Dato' Jaya is the Chairman of Lasseters Corporation Limited and Cypress Lakes Group Limited in Australia. He is also the Chairman of Etika International Holdings Limited, a company listed on the Singapore Stock Exchange ("SGX"). Dato' Jaya is the Vice Chairman of Park Hyatt Saigon, a 259-room 5-star hotel in Ho Chi Minh City, Vietnam and is also involved in gaming business in Papua New Guinea.

Dato' Jaya will retire at the forthcoming Annual General Meeting ("AGM") and will offer himself for re-election. He is the brother of Dato' Kamal Y P Tan and uncle of Mr Tan San Chuan.

Dato' Kamal Y P Tan

Executive Director

Dato' Kamal was appointed as a Director of the Company on 26 February 2004. He is an Economics graduate from the London School of Economics. On 3 April 2008, Dato' Kamal was re-designated to hold the position of Executive Director.

Dato' Kamal has previously held board positions with companies listed on the stock exchanges in Malaysia, Singapore, Australia, United Kingdom and India.

Currently, Dato' Kamal is a Director of Lasseters Corporation Limited and Cypress Lakes Group Limited and the Group Chief Executive Officer of Etika International Holdings Limited. Dato' Kamal is a Board member of Park Hyatt Saigon, a 259-room 5-star hotel in Ho Chi Minh City, Vietnam and is also involved in gaming business in Papua New Guinea.

Dato' Kamal was re-elected as Director at the AGM held in 2010. He is the brother of Dato' Jaya J B Tan and uncle of Mr Tan San Chuan.

Tan San Chuan

Executive Director

Mr Tan was appointed as a Director of the Company on 15 September 2005. He is an Accounting and Finance graduate from the London School of Economics. On 3 October 2007, Mr Tan was re-designated as the Executive Director of the Company.

Prior to joining the Group, he was employed by KPMG and has gained experience in auditing. Mr Tan has also worked in a merchant bank in Malaysia in which he gained some experience in corporate finance through his involvement in mergers and acquisitions and corporate restructuring exercises.

Currently, Mr Tan is the Non-Executive Director of another company listed on the Singapore Stock Exchange, namely Etika International Holdings Limited and public companies in Australia, namely Lasseters Corporation Limited and Cypress Lakes Group Limited. Mr Tan is also a Board member of Park Hyatt Saigon, a 259-room 5-star hotel in Ho Chi Minh City, Vietnam.

Mr Tan was re-elected as Director at the AGM held in 2011. He is the nephew of Dato' Jaya J B Tan and Dato' Kamal Y P Tan.

BOARD OF DIRECTORS

Dato' Sri Ir. Kuan Peng Ching @ Kuan Peng Soon

Independent Director

Chairman of Nominating Committee, Member of Remuneration and Audit Committees

Dato' Sri Ir. Kuan was appointed as a Non-Executive Director of the Company on 27 February 2004 and was re-designated as Independent Director on 26 August 2010. He is a qualified Electrical Engineer graduated from Adelaide University, South Australia. He is registered with the Board of Engineers, Malaysia as a Professional Engineer and is also a member of Institution of Engineers, Malaysia.

Dato' Sri Ir. Kuan is the Executive Chairman of Fajarbaru Builder Group Bhd, a company which is listed on the Bursa Malaysia Securities Berhad.

Dato' Sri Ir. Kuan was re-elected as Director at the AGM held in 2011.

Hon. Frederick Arthur Finch AM

Independent Director

Member of Audit, Remuneration and Nominating Committees

Mr Finch was appointed as a Director of the Company on 27 February 2004. He graduated in Civil Engineering from the University of New South Wales (1969) and has a broad range of experience both in Australia and Internationally. He served in the Northern Territory (NT) Legislative Assembly from 1983 to 1997. He was appointed to the Cabinet in 1987 and has held responsibility for a number of portfolios including Transport & Works, Education, Public Employment, Attorney General and Racing & Gaming until his retirement from politics in 1997. After 1997, he held the position of Chairman of the NT Planning Authority. His many community interests have included Institution of Engineers Australia and Lions International for considerable periods, Rugby Union and Surf Life Saving Australia Ltd., where he served as a national director for 14 years. He is a Life Member of NT Rugby and SLSNT and is a Life Member of the National body for SLSA. He was appointed a Member of the Order of Australia (AM) in the 2007 Australia Day Honours List. Mr Finch and his family have resided, worked and had business interests in Darwin, Northern Territory, Australia since 1975.

Apart from the present directorship of the Company, Mr Finch is also an Independent Director of Lasseters Corporation Limited and Ford Dynasty Pty Ltd (since 1999).

Mr Finch will retire at the forthcoming AGM and will offer himself for re-election.

Teo Chee Seng

Independent Director

Chairman of Audit and Remuneration Committees, Member of Nominating Committee

Mr Teo Chee Seng was appointed as a Director of the Company on 26 February 2004. He holds a Bachelor of Laws (Hons) degree from the University of Singapore and is a lawyer in the Singapore private practice for more than 30 years. He is also a Notary Public.

Mr Teo acts as the legal consultant to Tzu Chi Foundation, Taiwan's biggest charity organisation which is also an United Nations NGO.

Apart from the present directorship of the Company, Mr Teo is the Independent Director of Etika International Holdings Limited, a company listed on the Singapore Stock Exchange and United Overseas Australia Ltd, which is listed on both Singapore and Australia stock exchanges.

Mr Teo was re-elected as a Director at the AGM held in October 2010.

KEY MANAGEMENT

Paul Wong Baan Chun

Chief Financial Officer

Lasseters International Holdings Limited

Mr Paul Wong has been a Fellow of the Chartered Association of Certified Accountants since 1994 and his professional background revolves around finance, treasury and corporate work with an international practice.

He has held various key financial positions in public companies listed on the Kuala Lumpur Stock Exchange (now known as Bursa Malaysia), involved in investment holding, real estate and property development, stock broking, manufacturing and trading.

Chris Sartori

Chief Operating Officer

Lasseters Hotel Casino and Lasseters Wharf Casino

Chris Sartori was appointed into the role in December 2010 and brings with him over 20 years experience in the gaming and club industry, most recently spending 5 years as the General Manager at Kedron-Wavell Services Club where under his leadership was awarded the 2010 Queensland Club of the Year.

Mr Sartori holds a Post Graduate Certificate in Business and a Diploma in Club Management. His community and professional involvement has included sitting on the Board of The Prince Charles Hospital Foundation, a member of the Clubs Queensland Advisory Council, Principal of KWSC Registered Training Organisation and he is currently the Chairman of the Alice Springs Liquor Accord.

Denis Croke

Director and Chief Operating Officer

Cypress Lakes Group Limited

Denis holds a B.A. Hotel Management (Ireland). Denis brings with him a wealth of experience having worked in hotels and management for 26 years. Originally based in Europe, Denis began his career with Accor working in Paris, London and Dublin. After re-locating to Australia, Denis spent time working with large scale hotel groups such as All Seasons, Accor and Mirvac Hotels. During this time he reshaped hotels such as the Pacific Bay Resort Coffs Harbour, Yarra Valley Country Club and Resort, The Harbourlights Cairns and The Welcome Hotel, Melbourne. Denis' main strengths are in business development, positioning, financials and marketing. He is a solid relationship builder and with his excellent operations management is well placed to oversee Cypress Lakes Resort renewal process.



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STAY – Contentment, comfort and affordability that's our commitment to ensuring our guests receive the best of all their needs. We've made a determined effort to continually listen, understand and improve our hotel facilities to keep the quality of our establishments consistently.

NOTES TO SHAREHOLDERS

“Gaming operations continue to be the Group’s main revenue driver, contributing AUD39.9 million or 53% to the Group’s revenue in FY2012.”



On behalf of the Board of Directors, I am pleased to present to you our annual report for financial year ended 30 June 2012 (“FY2012”).

FY2012 continued to be a challenging year for Lasseters International Holdings Limited (referred to as “Lasseters” or collectively known as the “Group”). Uncertainties leading from the economic downturn have resulted in weak market sentiments in industries around the world. The retail and tourism industries in Australia were also hit by the generally soft operating environment and the strength of the Aussie dollar. The Aussie dollar has appreciated against various currencies over the last 2 years, in particular against the US Dollar and the Euro, representing an average increase in value of the Aussie dollar against these currencies by approximately 15%. This has impacted us as the United Kingdom and the Americas are key markets for Australian tourism industry. In view of the strength of the Aussie dollars, this has pushed tourists to consider alternative travel destinations other than Australia. The Statistics have shown that international arrivals to the Northern Territory, where the Group’s primary operations are located, declined by 9% in 2012 and arrivals from the United Kingdom has declined 16% in 2012 as compared to the year before.

Furthermore, the currency has also had an impact on local consumers who have also begun to adjust their spending habits by opting to travel outside of Australia taking advantage of the higher Aussie dollar. Frequent Interstate Travellers and Meetings, Incentives, Conferencing and Exhibitions market also finds it cheaper to host their seminars, conferences and meetings abroad.

As such, the Group’s year-on-year (“y-o-y”) revenue has declined by 6% to AUD75.6 million and resulting in a net loss position of AUD7.1 million in FY2012. However, the Group’s

NOTES TO SHAREHOLDERS

core land-based hotel and casino operations continue to be resilient and remained profitable. Gaming operations continue to be the Group's main revenue driver, contributing AUD39.9 million or 53% to the Group's revenue in FY2012.

BUSINESS AND CORPORATE DEVELOPMENTS

Despite facing multiple challenges on the macro front, the Group remains committed to strengthening business fundamentals and operations so as to continue to rebuild and improve market competitiveness.

An example of this is our 'upgrade and expansion plan'. In the fourth quarter of 2011, the Group embarked on an expansion plan to refurbish, upgrade and transform Lasseters Hotel Casino ("LHC") in Alice Springs, Australia, into a resort style gaming destination. The expansion programme was launched in phases and I am pleased to report that in July 2012 that the first phase has been completed, adding sixty six (66) hotel rooms and a resort style swimming pool. While the second phase of the programme, which includes the construction of a new VIP gaming area and a modern contemporary restaurant and the third final phase which is to build a fully-equipped commercial gymnasium, the building of a new hotel lobby and upgrading works of the existing casino lobby, are expected to be completed in mid FY2014. These additions are expected to enhance the existing facility with more family-friendly elements and while also improving the much-needed quality hotel accommodation to LHC.

The restructuring of Cypress Lake Group Limited ("Cypress") is still on-going and its resort hotel, health retreat and SPA operations continue to pose a challenging operating environment especially during these soft trading conditions. To remain competitive in the tourism industry, the Group has gone into partnership with The Accor Group ("Accor") on a two (2) year structured franchisee arrangement to market the resort hotel to wider audiences. Accor is the number one hotel operator worldwide and represents over 4,000 hotels across 92 destinations. Its portfolio covers an extensive range of accommodation, from budget to luxury including prominent names like Sofitel, Pullman and Novotel. Our strategic alliance with Accor not only attests the quality and accommodation standards of Cypress, it also allows the Group to capitalize on Accor's wide distribution network, strength of their sales and marketing team, rebate on bulk purchasing, to name a few.

The Group will continue to monitor and evaluate measures to add value to and also streamline Cypress' assets, but at the same time not eliminate the possibility of divesting the portfolio if the Board is of the opinion that such action could improve or contribute positively to the Group's overall performance.

And last but not least, apart from casinos, hotels, health retreats and SPA businesses, the Group's maiden property development business in Malaysia which comprises of sixteen

(16) units of industrial factory lots under Merry Palms Sdn Bhd has been encouraging with 70% of interested purchasers making booking deposits during the soft launch. Construction will commence in September 2012 and the project is expected to be completed by early 2014. The Group believes this property arm will generate an additional revenue stream for the Group going forward.

In October 2011, Lasseters completed a placement of 12 million new shares to an individual investor in Australia. Priced at SGD0.20 each, this placement raised proceeds of SGD2.4 million which was intended to be used as working capital for the Group. The proceeds of which were subsequently expended during the financial year 2012.

MOVING AHEAD

2013 is expected to be yet another demanding year for the Group. Nonetheless, we remain positive and dedicated to solidifying our business fundamentals and developing a more comprehensive range of product offerings revolving around our gaming operations to better improve our market position. We also believe the enhancements under the expansion plan will attract groups from other demographics to our facilities. Internally, we will also be implementing various measures to streamline our cost structures so as to remain efficient as we look towards the future.

We remain cautious and prudent in moving forward and the Group will constantly be reviewing and managing its business strategies so as to efficiently and effectively adapt to increasingly difficult market conditions.

APPRECIATION

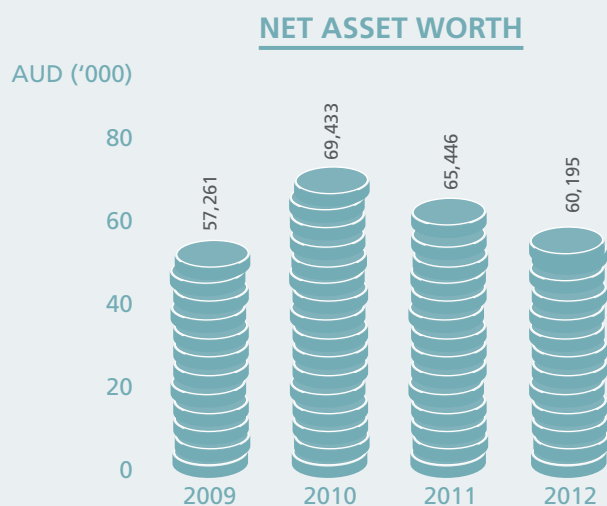
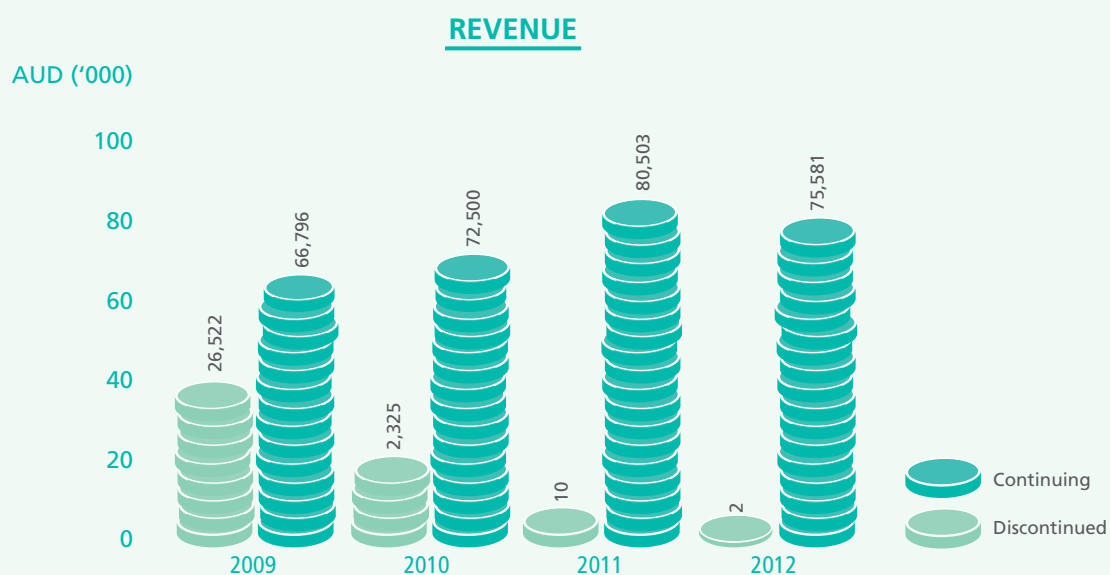
I would like to take this opportunity to express my heartfelt thanks to my fellow Directors for their guidance and encouragement over this challenging period, also to the management and staff for their unwavering commitment and dedication to Lasseters, to business associates and partners, our bankers, suppliers and customers for their continuous support of the Group.

And finally, to all our shareholders, it is a privilege to have your support and I look forward to meeting you at the upcoming Annual General Meeting.

Thank you.

DATO' JAYA J B TAN
Executive Chairman

FINANCIAL HIGHLIGHTS



* Profit after tax excludes impairment in value of property, plant & equipment and intangible assets, share of impairment in associates, accreditation of negative goodwill arising on acquisition of subsidiaries and gain on disposal of business/subsidiaries.

REVIEW OF OPERATIONS

LASSETERS HOTEL CASINO

To improve the quality of accommodation and overall appeal of the facility, the Group has invested about AUD35.0 million to expand and transform LHC into a resort style gaming destination.



To improve the quality of accommodation and overall appeal of the facility, the Group has invested about AUD35.0 million to expand and transform LHC into a resort style gaming destination. The Group expects to introduce more family-friendly elements like a resort style pool and theming restaurants and also more hotel rooms, a fully-equipped commercial gym and a dedicated hotel lobby to the new facility. Construction will be in phases and, the overall improvements to facility aesthetics and landscaping and further developments are expected to be completed by 1H2014.

Development plan of transforming LHC into a resort style gaming destination is underway and first phase of construction has been completed in July 2012. A block of sixty six new premium rooms and a resort style pool have been added to the facility.

OPERATIONAL REVIEW

Revenue for Lasseters Hotel Casino ("LHC") dropped marginally by 4.3% year-on-year ("y-o-y") to AUD37.2 million for the financial year ended 30 June 2012 ("FY2012") as compared to FY2011. Discretionary retail environment and

smoking ban reforms to the Tobacco Act introduced in 2010 continue to impact trading performance.

Gaming continued to be the core revenue driver for LHC, posting revenue contribution of AUD21.4 million or 56.5% in FY2012 (FY2011: AUD22.3 million or 56.5%). Aggregate revenue contribution from Convention Centre, Accommodation and others declined 13.8% y-o-y to AUD6.9 million in FY2012 as compared to AUD8.0 million in FY2011. This was largely due to customers adopting a more cautious approach in their discretionary spending due to difficult market conditions. Room occupancy rate declined to 70.3% in FY2012 as compared to 74.3% in FY2011. Despite measures taken to mitigate disruption during construction, development plans at LHC to expand and renovate existing facility has slightly affected room occupancy rate as well.

Revenue from Food and Beverage businesses improved by 4.1% y-o-y to AUD9.0 million in FY2012. LHC continue to roll out strategic theme change in the F&B outlets to widen and attract different demographic groups which were well received by the patrons.

Expenses continue to be held well across LHC with total operating expenses maintained fairly consistent at AUD26.8 million in FY2012 as compared to AUD26.3 million in FY2011. Finance costs increased slightly at AUD2.6 million in FY2012 as compared to AUD2.4 million in FY2011.

LHC concluded FY2012 with a profit before income tax and intercompany transactions of AUD2.6 million as compared to AUD5.3 million in FY2011.

OUTLOOK

Continued negative impact of the Tobacco Act reforms accompanied with customers prioritizing their disposable spending will continue to pose a challenge to LHC.

LHC continues to remain watchful of its cost structure and strives to maximize resource deployment to achieve optimum productive efficiency. The Group will continue to monitor the construction progress and ensure minimal disruption to the daily operations and quality of stay.

The Group believes that a transformed LHC will be able to stand out among its industry peers in terms of service offerings and experiential quality, moving forward.

REVIEW OF OPERATIONS

LASSETERS WHARF CASINO

Total operating expenses slid 11.8% y-o-y to AUD1.9 million in FY2012 as a result of tight cost control measures to maintain competitiveness of LWC. Finance costs held steady at AUD0.08 million in FY2012.



“LWC will continue to create and build awareness of its existing portfolio through marketing & promotional efforts. LWC will also explore introducing new elements to the facility to improve the overall attractiveness and appeal.”

OPERATIONAL REVIEW

As envisaged in the last annual report, economic crisis facing Europe and other major players are slowly felt across the globe and New Zealand is not spared.

Despite the general local economic conditions, Lasseters Wharf Casino (“LWC”) managed to keep its revenue at AUD2.6 million in FY2012. Revenue from gaming operations decreased 9.8% y-o-y to AUD1.6 million in FY2012, partially offset by the increase in revenue contribution from F&B business from AUD0.8 million in FY2011 to AUD0.9 million in FY2012.

Total operating expenses slid 0.6% y-o-y to AUD2.7 million in FY2012 as a result of tight cost control measures to maintain competitiveness of LWC. Finance costs held steady at AUD0.08 million in FY2012.

LWC posted a loss before income tax and intercompany transactions of AUD0.4 million in FY2012, registering a slight improvement as compared to a loss of AUD0.5 million in the previous corresponding year.

OUTLOOK

As a result of global uncertainty, many international travellers are opting for holiday destinations that are cheaper and closer to home, therefore weakening demand for long-haul holidays to countries like New Zealand. Tourists were also cautious about travelling to New Zealand after the Christchurch earthquakes in 2011. Consumer demand in New Zealand was soft as customers adopt a prudent approach in discretionary spending, similar to that of Australia.

LWC will continue to create and build awareness of its existing portfolio through marketing and promotional efforts. LWC will also explore introducing new elements to the facility to improve the overall attractiveness and appeal.

REVIEW OF OPERATIONS

CYPRESS LAKES GROUP

On a lighter note, CLGL is pleased to report that Holiday Inn, Flinders remained profitable and contributed about 37% to CLGL's revenue in FY2012.



OPERATIONS REVIEW

FY2012 continued to be a difficult year for Cypress Lakes Group Limited ("CLGL" or "Cypress") and financial performance remained strenuous in this delicate retail environment. Strong Australian dollars was a strong deterrent for the Frequent Interstate Travellers and Meetings, Incentives, Conferencing and Exhibitions market to host their events locally. With assets not achieving optimum utilization, CLGL's revenue fell 7.2% y-o-y to AUD35.7 million in FY2012 and a loss before income tax and intercompany transactions of AUD6.5 million as compared to AUD6.0 million in the previous corresponding period.

Aggregate revenue from Accommodation, F&B and Convention Centre slid 4.3% y-o-y to AUD22.5 million in FY2012, with room occupancy rate declining to 54.5% (FY2011: 51.8%) and lower average daily room rates of AUD213.76 as compared to AUD215.90 in FY2011. Revenue contribution from golf division was maintained at AUD1.4 million in FY2012.

Revenue contribution from health retreats and spa program reduced 12.9% y-o-y to AUD9.7 million in FY2012. The

health retreat segment received a total of 18,219 program guests nights in FY2012; managing a constant average length of guest stay at 5.1 days.

On a lighter note, CLGL is pleased to report that Holiday Inn, Flinders remained profitable and contributed about 37% to CLGL's revenue in FY2012.

CLGL continues to maintain stringent cost control and for the period under review total operating expenses dropped 6.1% y-o-y to AUD34.6 million in FY2012. Finance costs remained steady at AUD4.9 million in 2012.

OUTLOOK

Soft tourism market and high Australian dollars will continue to impact the trading performance of CLGL in FY2013. The growth and business sustainability of the resorts, spa and wellness division will depend largely on CLGL's ability to take advantage of the changing tourism landscape and to maintain its market share in the growing competitive market. Apart from investing in branding efforts in boasting market awareness of "Cypress Lakes" and "The Golden Door", the Group remained committed to extend

its service and product offerings through selective capital or affiliate investment programs to move up the value chain so as to remain relevant to market demand within the wellness regime.

Towards late FY2012, CLGL has entered into a two-year structured franchisee arrangement with Accor Group ("Accor"), of which Accor will market the resort rooms and facilities through their central reservation system. Through such a tie up, not only would CLGL be able to tap on Accor vast clientele database, bulk purchasing rebate, acknowledgement of the resort standard, it would also enable CLGL to utilize the Accor strength in its marketing resources to work with convention groups. CLGL hopes to leverage on Accor's strength to increase guest traffic to the resort, thereby driving revenue going forward.

While we continue to integrate and synergise our process, the Group is vigorously looking at various measures to value add and streamline Cypress' assets, not limiting to unlocking the assets if such actions could improve or contribute positively to the Group's overall performance.

REVIEW OF OPERATIONS

MERRY PALMS SDN BHD

Initial response from a soft launch undertaken in March 2012 was well received with almost 70% purchasers depositing an initial 2% earnest money as booking fee.



OPERATIONS REVIEW

For the period under review, Merry Palms Sdn Bhd ("MPSB") has yet to commence business. MPSB obtained the planning approval in 26 October 2011 and expects to receive its building plan approval in September 2012. Physical construction of the sixteen (16) units of industrial factory lots is due to commence in 1st half of FY2013.

Initial response from a soft launch undertaken in March 2012 was well received with almost 70% purchasers depositing an initial 2% earnest money as booking fee.

OUTLOOK

As outlined previously, the Group's strategy to expand its core business to include property development and tapping on the management wide experience in development and constructions sectors has been encouraging.

Whilst we remain cautious in the current global economic conditions, the Group believes this property arm will generate additional revenue stream for the Group going forward.

"...the Group's strategy to expand its core business to include property development and tapping on the management wide experience in development & constructions sectors has been encouraging."



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ENJOY – We've created relaxed heavens to escape from the hustle and bustle of city life. Either with friends or family, your experiences will be enriched through sense, taste, smell and touch.

CORPORATE GOVERNANCE

Lasseters International Holdings Limited ("Lasseters") is committed to maintaining a high standard of corporate governance by complying with the benchmark set by the Code of Corporate Governance (the "Code") as issued by the Ministry of Finance on 14 July 2005. Good corporate governance establishes and maintains an ethical environment, which strives to enhance the interest of all shareholders.

Lasseters believes it has put in place effective self-regulatory corporate practices to protect its shareholders' interests and enhance long-term shareholders' value. This report outlines Lasseters' corporate governance framework in place throughout FY2012.

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1 : Effective Board to lead and control the Company

The Board of Directors (the "Board") comprises one Executive Chairman, two Executive Directors and three Independent Directors, having the appropriate mix of core competencies and diversity in experience, which in the course of deliberations, they are obliged to act in good faith and consider all times the interest of the Company.

The primary functions of the Board are to provide stewardship for Lasseters and its subsidiaries (the "Group") and to enhance and protect long-term returns and value for its shareholders. Besides carrying out its statutory responsibilities, the Board oversees the formulation of the Group's long-term strategic objectives and directions, reviews and approves the Group's annual budgets, business and strategic plans and monitors the achievement of the Group's corporate objectives. It also oversees the management of the Group's business affairs and conducts periodic reviews of the Group's financial performance and implementing policies relating to financial matters, which include risk management and internal control and compliance.

The Board's approval is also required in matters such as major funding proposals, investment and divestment proposals, major acquisitions and disposals, corporate or financial restructuring, mergers and acquisitions, share issuance and dividends and major corporate policies on key areas of operations, the release of the Group's half yearly and full year results and interested person transactions of a material nature. The Board ensures that incoming new Directors are familiarized with the Group's businesses and corporate governance practices upon their appointment to facilitate the effective discharge of their duties.

The Board meets regularly to oversee the business affairs of the Group, and to approve, if applicable, any financial and business objectives and strategies. Ad-hoc meetings will be held when circumstances require. Lasseters' Articles of Association also provide for telephone conference and video conferencing meetings.

The attendance of the directors at meetings of the Board and Board committees is as follows:-

	Board	Audit Committee	Remuneration Committee	Nominating Committee
No. of meetings held in FY2012	3	2	2	1
Number of meetings attended				
Dato' Jaya J B Tan	3	n/a	n/a	1
Dato' Kamal Y P Tan	3	n/a	n/a	n/a
Tan San Chuan	0	n/a	n/a	n/a
Dato' Sri Ir. Kuan Peng Ching @ Kuan Peng Soon	3	2	2	1
Hon. Frederick Arthur Finch AM	3	2	2	1
Teo Chee Seng	3	2	2	1

n/a – not applicable as director is not a member of the committee.

CORPORATE GOVERNANCE

Board Composition and Balance

Principle 2 : Strong and independent element on the Board

Presently, the Board of Lasseters comprises the following Directors:-

Name	Age	Date of first appointment	Date of last re-election	Designation
Dato' Jaya J B Tan	64	26.2.2004	20.10.2009	Executive Chairman
Dato' Kamal Y P Tan	60	26.2.2004	21.10.2010	Executive Director
Tan San Chuan	30	15.9.2005	21.10.2011	Executive Director
Dato' Sri Ir. Kuan Peng Ching @ Kuan Peng Soon	66	27.2.2004	21.10.2011	Independent Director
Hon. Frederick Arthur Finch AM	67	27.2.2004	20.10.2009	Independent Director
Teo Chee Seng	58	26.2.2004	21.10.2010	Independent Director

There is a good balance between the executive and non-executive directors and a strong and independent element on the Board. Key information on directors can be found in the "Board of Directors" section of this annual report.

The Board, through the delegation of its authority to the Nominating Committee ("NC"), has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in technology, business, finance and management skills critical to the Group's business to enable the Board to make sound and well-considered decisions.

The independence of each director is reviewed annually by the NC, which confirms that the independent Directors made up at least one-third of the Board. The Board considers an "independent" director as one who has no relationship with Lasseters, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment of the conduct of the Group's affairs.

Although the Independent Directors hold directorships in other companies, the Board is of the view that such multiple Board representations do not hinder them from carrying out their duties as Directors. These Directors would widen the experience of the Board and give it a broader perspective.

The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competence for informed decision-making and effective functioning.

Chairman and Chief Executive Officer

Principle 3 : Clear division of responsibilities at the top of the Company

The Company has not adopted the recommendation of the Code to have a separate appointment of Chairman and Chief Executive Officer. The Board is of the view that it is in the best interests of the Group to adopt a single leadership structure, whereby the CEO and the Chairman of the Board is the same person, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered.

Presently, Dato' Jaya J B Tan, as Executive Chairman, continues to provide strategic leadership for the Group and hold executive responsibility for the Company's business. Additionally, he is responsible for the effective workings of the Board and promotes high standards of corporate governance. He ensures that Board meetings are held when necessary and sets the Board meeting agenda in consultation with other directors and the key management. He also reviews Board papers before they are presented to the Board to ensure that information provided to the Board members is adequate. During the Board meetings, he facilitates effective contributions and constructive discussions on strategic issues and business planning from the executive and non-executive directors. Dato' Jaya is assisted by an experienced and qualified team of executive officers of the Group.

BOARD MEMBERSHIP AND PERFORMANCE

Board Committees

To assist the Board in the discharge of its responsibilities, the Board has established three Board Committees, namely the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC"). These committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis.

CORPORATE GOVERNANCE

The composition of each of the committees as at the date of this report is as follows:-

Directors	Audit Committee	Nominating Committee	Remuneration Committee
Teo Chee Seng	Chairman	Member	Chairman
Dato' Sri Ir. Kuan Peng Ching @ Kuan Peng Soon	Member	Chairman	Member
Hon. Frederick Arthur Finch AM	Member	Member	Member
Dato' Jaya J B Tan	-	Member	-

Note: Mr Tan San Chuan was a member of the AC from 21 October 2010 to 26 August 2011.

Nominating Committee

Principle 4 : Formal and transparent process for appointment of new directors

Principle 5 : Formal assessment of the effectiveness of the Board and contributions of each director

The Nominating Committee ("NC") comprises one executive director and three independent non-executive directors, one of whom is also the Chairman of the Committee. The members of the NC are as follows:-

Dato' Sri Ir. Kuan Peng Ching @ Kuan Peng Soon (Chairman)	Non-Executive, Independent
Teo Chee Seng (Member)	Non-Executive, Independent
Hon. Frederick Arthur Finch AM (Member)	Non-Executive, Independent
Dato' Jaya J B Tan (Member)	Executive

The NC has adopted its terms of reference that describes the responsibilities of its members.

The NC decides how the Board should be evaluated and selects a set of performance criteria that is linked to long-term shareholders' value, to be used for performance evaluation of the Board.

The NC performs the following principal functions:-

- Reviews the structure, size and composition of the Board and make recommendations to the Board;
- Identifies candidates and reviews all nomination for the appointment and re-appointment of members of the Board;
- Determines annually whether or not a Director is independent in accordance with the guidelines of the Code;
- Decides how the Board's performance may be evaluated and proposes objective performance criteria for the Board's approval; and
- Assesses the effectiveness of the Board as a whole, as well as the contribution by each member of the Board.

The Board has power from time to time and at any time to appoint a person as a Director to fill a casual vacancy or as an addition to the Board. Any new Directors appointed during the year shall only hold office until the next Annual General Meeting ("AGM") and submit themselves for re-election and shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

Presently, new directors are appointed by way of a board resolution after the NC approves and recommends to the Board for approval, subject to compliance with Lasseters' Articles governing new appointment of Directors. Article 90(2) of the Company provides that no director shall be appointed without the consent of the Northern Territory Minister. Article 90(3) further provides that upon a director of Lasseters or, if required by a Gaming Authority or a Licence, any of Lasseters' subsidiaries being appointed, there shall be a period of 14 days during which Lasseters shall make an application(s) to the NT Minister for his consent for purposes of Article 90(2) above.

Article 102 of Lasseters' Articles of Association requires the Managing Director, Chief Executive Officer or President (or person holding an equivalent position) who is a Director to be subject to retirement by rotation.

Article 106 of Lasseters' Articles of Association requires one third of the Board to retire by rotation at every AGM. The Directors must present themselves for re-nomination and re-election at regular intervals of at least once every three years.

CORPORATE GOVERNANCE

In reviewing the nomination of the retiring directors, the NC considered the performance and contribution of each of the retiring directors, having regard not only to their attendance and participation at Board and Board Committee meetings but also the time and efforts devoted to the Group's business and affairs, especially the operational and technical contributions.

In considering the appointment of any new director, the NC ensures that the new director possesses the necessary skills, knowledge and experience that could facilitate the Board in the making of sound and well-considered decisions. For re-appointments, NC takes into account the individual director's past contributions and performance.

The NC has recommended the nomination of Directors retiring under the Company's Articles of Association, namely Dato' Jaya J B Tan and Hon. Frederick Arthur Finch AM for re-election at the forthcoming Annual General Meeting. Dato' Jaya will be retiring in accordance with Article 102 and Article 106 whilst Hon. Frederick will retire pursuant to Article 106 of the Company's Articles of Association.

Dato' Jaya was appointed as a Director of the Company with effect from 26 February 2004 and assumed the current position of Executive Chairman on 1 September 2005. He is a member of the NC. Upon re-election, he will remain as member of the NC.

Hon. Frederick was appointed to the Board on 27 February 2004. He is currently a member of the AC, RC and NC. Upon his re-election, he will remain as a member of these Committees. He will be considered independent for the purposes of Rule 704(7) of Section B : Rules of Catalyst of the Listing Manual of the Singapore Exchange Securities Trading Limited.

Access to information

Principle 6 : Board members to have complete, adequate and timely information

To assist the Board in its discharge of duties and responsibilities, all directors are provided with adequate information in a timely manner by the management on matters to be deliberated, thus facilitating informed decision-making. Directors are also updated on initiatives and developments for the Group's business whenever possible on an on-going basis.

The Board has separate and independent access to Lasseters' senior management and the Company Secretaries. At least one of the Company Secretaries attends the Board and Board committee meetings and is responsible for ensuring that board procedures are followed in accordance with the Memorandum and Articles of Association of Lasseters, and that applicable rules and regulations are complied with.

Management will, upon direction by the Board, assist the Directors, either individually or as a group, to get independent professional advice in furtherance of their duties, at Lasseters' expense.

Remuneration Committee

Principle 7 : Formal and transparent procedure for fixing remuneration packages of directors

Principle 8 : Remuneration of directors should be adequate but not excessive

Principle 9 : Remuneration policy, level and mix of remuneration and procedure for setting remuneration

The Remuneration Committee ("RC") comprises three independent non-executive directors, one of whom is also the Chairman of the Committee. The members of the RC are as follows:-

Teo Chee Seng (Chairman)	Non-Executive, Independent
Hon. Frederick Arthur Finch AM (Member)	Non-Executive, Independent
Dato' Sri Ir. Kuan Peng Ching @ Kuan Peng Soon (Member)	Non-Executive, Independent

The role of the RC is to review and recommend remuneration policies and packages for directors and key executives and to disseminate proper information on transparency and accountability to shareholders on issues of remuneration of the executive directors of the Group and employees related to the executive directors and controlling shareholders of the Group.

RC's review covers all aspect of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options, long-term incentive schemes, including share schemes and benefits in kind. Recommendations are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. No director is involved in deciding his own remuneration.

CORPORATE GOVERNANCE

Primary functions to be performed by RC:-

- Reviews and recommends to the Board, a framework of remuneration for the Board and key executives;
- Reviews the level of remuneration that are appropriate to attract, retain and motivate the directors and key executives;
- Ensures adequate disclosure on Directors' remuneration;
- Reviews and recommends to the Board the terms for renewal of Directors' service contracts;
- Reviews and administers the Lasseters Employee Share Option Scheme (the "Scheme") adopted by the Group and decides on the allocations and grants of options to eligible participants under the Scheme; and
- Recommends to the Board, the Executive Share Option Schemes or any long-term incentive schemes which may be set up from time to time and does all acts necessary in connection therewith.

Directors' Remuneration

a) Number of directors in remuneration bands:-

	1/7/2010 to 30/6/2011	1/7/2011 to 30/6/2012
Below SGD250,000	6	5
SGD250,000 to below SGD500,000	1	1
SGD500,000 and above	-	-
	7	6

b) A breakdown, showing the level and mix of each individual director's remuneration and fees of Lasseters for FY2012 is as follows:-

Remuneration Bands & Names of Directors	Salary* %	Directors' Fees** %	Performance-related income/ Bonus*** %	Total Remuneration %
SGD250,000 to below SGD500,000				
Dato' Jaya J B Tan	80.0	14.7	5.3	100.0
Below SGD250,000				
Dato' Kamal Y P Tan	-	100.0	-	100.0
Tan San Chuan	74.3	20.2	5.5	100.0
Dato' Sri Ir. Kuan Peng Ching @ Kuan Peng Soon	-	100.0	-	100.0
Hon. Frederick Arthur Finch AM	-	100.0	-	100.0
Teo Chee Seng	-	100.0	-	100.0

Notes :

* Inclusive of benefits in kind, allowances and provident funds/superannuation paid by the Company and/or its subsidiaries, where applicable.

** Includes fees received from subsidiaries, where applicable.

*** Performance-related income/bonus for FY2011 received in FY2012.

CORPORATE GOVERNANCE

The breakdown, showing the level and mix of each key executive's remuneration for FY2012 is as follows:-

Remuneration Bands & Names of Executive Officers	Salary* %	Performance- related income/ bonus** %	Total Remuneration %
SGD500,000 and above			
Chris Sartori	100.0	-	100.0
SGD250,000 to below SGD500,000			
Paul Wong Baan Chun	93.4	6.6	100.0
Denis Croke	100.0	-	100.0
Below SGD250,000			
Craig Jervis	98.6	1.4	100.0
Benjamin Inglis	98.4	1.6	100.0

Notes :

Remuneration drawn in AUD has been converted to SGD based on AUD1 to SGD1.28737 as at 29 June 2012.

* Inclusive of benefits in kind, allowances, provident funds/superannuation, annual leave and long service leave.

** Performance-related income/bonus for FY2011 received in FY2012.

Immediate family members of Directors

Other than as disclosed above, there are no immediate family members of Directors in employment with Lasseters and whose remuneration exceeds SGD150,000 during the FY2012 save and except for Dato' Jaya J B Tan and Tan San Chuan who are related to Dato' Kamal Y P Tan, an Executive Director of the Company.

Accountability

Principle 10 : Accountability of the Board and management

The Board is accountable to shareholders for the stewardship of the Group. The Board updates shareholders on the operations and financial position of Lasseters through half-year and full-year results announcements as well as timely announcements of other matters as prescribed by the relevant rules and regulations. The Management is accountable to the Board by providing the Board with the necessary financial information for the discharge of its duties.

Presently, the Management presents to the AC the interim and full year results and the AC reports on the results to the Board for review and approval before releasing the results to the SGX-ST and public via SGXNET.

Audit Committee

Principle 11 : Establishment of audit committee with written terms of reference

The Audit Committee ("AC") comprises three independent non-executive directors, one of whom is also the Chairman of the Committee. The members of the AC are as follows:-

Teo Chee Seng (Chairman)	Non-Executive, Independent
Hon. Frederick Arthur Finch AM (Member)	Non-Executive, Independent
Dato' Sri Ir. Kuan Peng Ching @ Kuan Peng Soon (Member)	Non-Executive, Independent

The principal responsibility of the AC is to assist the Board in maintaining a high standard of corporate governance, particularly by providing an independent review of the group's material internal controls, including financial, operational, compliance and risk management controls at least once annually, to safeguard Lasseters' assets and maintain adequate accounting records, with the overall objective of ensuring that the management creates and maintains an effective control environment in the Group.

The AC has authority to investigate any matter within its terms of reference, gain full access to and co-operation by management, exercise full discretion to invite any Director or executive officer to attend its meetings, and gain reasonable access to resources to enable it to discharge its function properly.

The AC will meet with the external auditors without the presence of the management at least once a year to review the scope and results of the audit and its cost effectiveness, as well as the independence and objectivity of the external auditors.

CORPORATE GOVERNANCE

It has undertaken a review of all non-audit services provided by the external auditors and is of the opinion that the provision of such services would not affect the independence of the auditors.

In performing those functions, the AC reviews:

- and discuss with external auditors before the audit commences, the nature and scope of the audit to ensure co-ordination where more than one audit firm is involved;
- external Auditor's management letter and the management's response;
- Audit plans and results of the audit performed by the external auditors and ensure adequacy of Lasseters' system of accounting controls;
- the financial statements of Lasseters and the consolidated financial statements of the Group before their submission to the Board of Directors;
- the announcements of the financial results;
- the adequacy of the internal audit function and the effectiveness of Lasseters' material internal controls;
- independence of the external auditors;
- any work performed by the Independent Financial Advisor;
- interested person transactions;
- co-operation given by the management to the external auditors;
- the appointment and re-appointment of external and internal auditors of Lasseters' and the audit fees; and
- other matters as requested by the Board and as required by statute or the Listing Manual.

The external auditors have full access to the AC who has the express power to conduct or authorise investigations into any matters within its terms of reference. Minutes of the AC meetings will be regularly submitted to the Board for its information.

The AC has reviewed the Group's risk assessment, and based on the audit reports and management controls in place, is satisfied that there are adequate internal controls in the Group.

Having reviewed all non-audit services provided by the external auditors, the AC is of the view that such services did not affect BDO LLP's independence and objectivity and has recommended their re-appointment to the Board.

Internal Controls and Internal Audit

Principle 12 : Sound system of internal controls

Principle 13 : Setting up independent audit function

A system of internal controls has been implemented for all companies within the Group. The controls are designed to provide reasonable assurance that assets are safeguarded, operational controls are in place, business risks are suitably protected, proper accounting records are maintained and financial information used within the business and for publication is accurate and reliable.

Given the types of business conducted, the Group has to conform to strict guidelines laid down by the governments of Northern Territory ("NT"), New South Wales ("NSW"), Queensland ("QLD"), Victoria ("VIC") in Australia and in New Zealand ("NZ") through specific legislation. Standard operating procedures of casino gaming are well documented in internal control manuals which have been endorsed by the respective governments. The respective governments are allowed to conduct random inspections on the day-to-day operations of the gaming business and to access the financial status, as well as to conduct checks on the Directors and Management. The internal accounting controls are reviewed by Lasseters' present external auditors as part of their audit.

While no system can provide absolute assurance against loss or misstatement, Management, in designing the controls, had taken into account the business risk, its likelihood of occurrence and the cost of protection. During the financial year, the AC, on behalf of the Board, has reviewed the effectiveness of the various systems in place by Management and is satisfied that there are adequate internal controls in the Group.

The main role of internal audit function is to review the effectiveness of the system of internal control.

Internal audits are continuously carried out by accounting designated personnel in the Group, in addition to random inspection by NT, NSW, QLD and VIC Governments and also internal accounting control reviews by the subsidiaries external auditors as part of their audit. They are responsible for ensuring that the Group's operational and financial controls comply with the strict guidelines laid down by the NT, NSW, QLD and VIC Governments through specific legislation and support the Audit Committee in its role of assessing the effectiveness of the Group's overall internal control system and assisting in the implementation of a risk management framework.

CORPORATE GOVERNANCE

During the financial year, the Board with the concurrence of AC, after carrying out a review, is of the opinion that the internal controls of the Group are adequate to address operational, financial and compliance risks. In arriving at the opinion, the Board is of the view that the internal controls of the Group have reasonable assurance about achieving the effectiveness and efficiency of operations; reliability of financial reporting; and compliance with applicable laws and regulations.

Communication with Shareholders

Principle 14 : Regular, effective and fair communication with shareholders

Principle 15 : Shareholder participation at AGM

Lasseters is committed to timely dissemination of information and proper transparency and disclosure of relevant information to SGX-ST, shareholders, analysts, the public and its employees.

Information is communicated to shareholders and the public through the following channels:

- Notice of Annual General Meeting ("AGM") and Annual Reports that are issued to all shareholders. The Board strives to ensure that these reports include all relevant information on the Group, including current developments, strategic plans and disclosures required under the Companies Act, Singapore Financial Reporting Standards, Listing Manual of the SGX-ST and other relevant statutory and regulatory requirements;
- Price sensitive announcement of interim and full year results released through SGXNET;
- Disclosures on the SGXNET;
- Press releases; and
- Press and analysts' briefings as may be appropriate.

All shareholders are welcome to attend the AGM. The Board of Directors, AC members and other committee members, chief financial officer, auditors and the Company Secretary/Secretaries will be present and are available to address any questions from shareholders regarding the Group and its businesses.

Material Contracts

No material contracts were entered into between Lasseters or any of its subsidiaries involving the interests of any director or controlling shareholder, which are either subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year up to the date of the financial statements except for related party transactions and director's remuneration as disclosed in the financial statements.

Interested Person Transactions

Lasseters has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that the transactions are at arm's length basis. All interested person transactions are subject to review by the AC to ensure compliance with the established procedures.

The aggregate value of interested person transactions entered into during the year were as follows:-

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than SGD100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than SGD100,000)
Rental of office premises between Lasseters Management (M) Sdn Bhd and Motif Etika Sdn Bhd	RM528,000 (or approximately SGD209,940*)	-

* Based on exchange rate as at 29 June 2012 of SGD1 = RM2.5150.

CORPORATE GOVERNANCE

Risk Management

The Board reviews the risk profile of the Group and ensures that there are robust risk management policies and internal controls in place. The Board has delegated the responsibility for setting the direction of the Group's risk management strategy to Management. The key risks of the Group have been identified within a group risk framework that has been approved by Management and the AC.

The Group has established risk management policies, guidelines and control procedures to manage its exposure risks. Details of the various financial risk factors and the management of such risks are outlined in the financial statements.

It is part of the Board's oversight role to ensure that there are adequate policies for risk management and internal controls and to oversee the effectiveness of the policies in achieving the Group's goals and objectives. The responsibility for implementing appropriate policies and procedures to achieve effective risk management and internal control is delegated to Senior Management. The overall framework established by Management is designed to enhance the soundness of the Group's financial reporting, risk management, compliance and internal control systems which include:

- Process improvement initiatives undertaken by business units;
- Benchmarking against key risk indicators, such as loss reporting, exceptions reporting and management reviews;
- Annual formal evaluations by the heads of business units and support functions on the soundness, effectiveness and efficiency of the financial reporting, risk management;
- Compliance and internal control systems in their respective areas of responsibility;
- Implementation of formal policies and procedures relating to the delegation of authority;
- Involvement of experienced and suitably qualified employees who take responsibility for important business functions; and
- Segregation of key functions that are deemed incompatible and that may give rise to a risk that errors or irregularities may not be promptly detected.

There is an organisational structure with clearly drawn lines of accountability and delegation of authority. There are documented procedures in place that cover management accounting, financial reporting, investment appraisal, information systems security, compliance and other risk management issues.

The systems that are in place are intended to provide guidance in managing and mitigating the business risks in safeguarding assets, maintenance of proper accounting records, the reliability of financial information, compliance with applicable legislation and best practice, but not absolute assurance against misstatements or losses.

Dealings in Securities

Following the introduction of Best Practice Guide by SGX-ST (the "Code"), the Company has brought to the attention of its employees the implications of insider trading and recommendations of the Best Practice Guide.

Lasseters has adopted and implemented an internal compliance of the Code which prohibits securities dealings by Directors and employees while in possession of unpublished price-sensitive information. Officers are discouraged to deal in the Company's securities on short-term considerations.

Directors, executives and any other employees who have access to material price-sensitive information are prohibited from dealing in securities of Lasseters prior to the announcement of a matter that involves material unpublished price-sensitive information. They are required to report on all their dealings in Lasseters securities to Lasseters. They are also prohibited from dealing in Lasseters' securities during the period commencing one month before the announcement of the Lasseters' interim or full year results and ending on the day after the announcement of the interim and full year results.

The Group has complied with the Best Practices Guide on Securities Transactions issued by the Singapore Exchange.

Catalist Sponsor

There was no non-sponsor fee paid to the sponsor for the year under review. However, the Group has paid to Stamford Law Corporation, an affiliate of the sponsor, legal and secretarial fees in aggregate amounting to SGD61,617 for FY2012.

FINANCIAL STATEMENTS

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REPORT OF THE DIRECTORS

The Directors of the Company present their report to the members together with the audited financial statements of the Group for the financial year ended 30 June 2012 and the statement of financial position of the Company as at 30 June 2012 and the statement of changes in equity of the Company for the financial year ended 30 June 2012.

1. Directors

The Directors of the Company in office at the date of this report are as follows:

Dato' Jaya J B Tan	(Executive Chairman)
Dato' Kamal Y P Tan	(Executive Director)
Tan San Chuan	(Executive Director)
Dato' Sri Ir. Kuan Peng Ching @ Kuan Peng Soon	(Independent Director)
Hon. Frederick Arthur Finch AM	(Independent Director)
Teo Chee Seng	(Independent Director)

2. Arrangements to enable Directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

3. Directors' interests in shares or debentures

The Directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act (the "Act") except as follows:

	Shareholdings registered in the name of Directors/Nominees	
	Balance as at 1.7.2011	Balance as at 30.6.2012
The Company	Number of ordinary shares	
Dato' Jaya J B Tan	47,184,270	47,184,270
Dato' Kamal Y P Tan	49,558,006	49,558,006
Tan San Chuan	9,057,668	9,057,668
Dato' Sri Ir. Kuan Peng Ching @ Kuan Peng Soon	1,521,239	1,521,239
Hon. Frederick Arthur Finch AM	50,000	50,000
Teo Chee Seng	200,000	200,000
Subsidiary Lasseters Corporation Limited	Number of ordinary shares	
Dato' Sri Ir Kuan Peng Ching @ Kuan Peng Soon	1,355,531	1,355,531

In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of Directors' Shareholdings, the Directors' interests as at 21 July 2012 in shares of the Company have not changed from those disclosed as at 30 June 2012.

REPORT OF THE DIRECTORS

4. Directors' contractual benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit which is required to be disclosed by Section 201(8) of the Act, by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest, except as disclosed in the financial statements. Certain Directors received remuneration from related corporations in their capacity as Directors and/or executives of those related corporations as disclosed in Note 32 of the accompanying financial statements.

5. Share options

There were no share options granted by the Company or its subsidiaries during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares in the Company or its subsidiaries under options as at the end of the financial year.

The Company has implemented a share option scheme known as the "Lasseters Employee Share Option Scheme" ("ESOS"). The ESOS was approved and adopted by the Shareholders at an Extraordinary General Meeting of the Company held on 30 March 2004. No share options have been granted pursuant to the ESOS.

6. Audit committee

The Company's Audit Committee comprises the following members, who are all Independent Directors. The members of the Audit Committee at the date of this report are:

Teo Chee Seng (Chairman)
Hon. Frederick Arthur Finch AM
Dato' Sri Ir. Kuan Peng Ching @ Kuan Peng Soon

The Audit Committee meets periodically to perform (among others) the following functions:

- a. review with the external independent auditors the audit plan, and the results of the external independent auditors' examination and evaluation of the system of internal accounting controls;
- b. review the consolidated financial statements of the Group, statement of financial position and statement of changes in equity of the Company, and the external independent auditor's report on those financial statements, before submission to the Board of Directors for approval;
- c. review the co-operation given by the management to the external independent auditors;
- d. consider the appointment and re-appointment of the external independent auditors;
- e. review and approve interested person transactions;
- f. review potential conflict of interests, if any;
- g. undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the Audit Committee; and
- h. generally undertake such other functions and duties as may be required by statute or the provisions of Section B: Rules of Catalist of the Listing Manual of SGX-ST, and by such amendments made thereto from time to time.

The Audit Committee has recommended to the Board of Directors the nomination of BDO LLP, for re-appointment as independent auditors of the Company at the forthcoming Annual General Meeting.

REPORT OF THE DIRECTORS

7. Auditors

The auditors, BDO LLP, have expressed their willingness to accept re-appointment.

8. Additional disclosure requirements of the Listing Manual of the Singapore Exchange Securities Trading Limited

The auditors of the subsidiaries of the Company are disclosed in Note 15 to the financial statements. In the opinion of the Board of Directors and Audit Committee, Rule 716 of the provisions of Section B: Rules of Catalyst of the Listing Manual of SGX-ST has been complied with.

On behalf of the Board of Directors

Dato' Jaya J B Tan
Executive Chairman

Dato' Kamal Y P Tan
Executive Director

Singapore
3 September 2012

STATEMENT BY DIRECTORS

In the opinion of the Board of Directors,

- (a) the accompanying financial statements together with the notes thereon are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2012 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors

Dato' Jaya J B Tan
Executive Chairman

Dato' Kamal Y P Tan
Executive Director

Singapore
3 September 2012

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF LASSETERS INTERNATIONAL HOLDINGS LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Lasseters International Holdings Limited (the "Company") and its subsidiaries (the "Group") as set out on pages 39 to 99, which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2012, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2012 and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

BDO LLP

Public Accountants and
Certified Public Accountants

Singapore
3 September 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Note	Group	
		2012 AUD'000	2011 AUD'000
Continuing operations			
Revenue	4	75,581	80,503
Consumables		(6,506)	(6,850)
Employee benefits expense	5	(32,590)	(33,458)
Depreciation expenses	6	(8,259)	(8,040)
Villa lease rental		(4,884)	(4,980)
Advertising and promotional expenses		(2,597)	(2,536)
Gaming tax		(2,629)	(2,759)
Other operating expenses		(16,591)	(17,228)
Impairment in value of property, plant and equipment		(275)	-
Finance costs	7	(7,524)	(7,433)
Loss before income tax from continuing operations	8	(6,274)	(2,781)
Income tax	9	(734)	(1,174)
Loss for the financial year from continuing operations		(7,008)	(3,955)
Loss for the financial year from discontinued operations	10	(62)	(63)
Loss for the financial year		(7,070)	(4,018)
Other comprehensive income:			
Exchange differences on translating foreign operations		4	(31)
Other comprehensive income for the financial year, net of tax		4	(31)
Total comprehensive income for the financial year		(7,066)	(4,049)
Loss for the financial year attributable to:			
Owners of the Company		(7,069)	(4,013)
Non-controlling interests		(1)	(5)
		(7,070)	(4,018)
Total comprehensive income for the financial year attributable to:			
Owners of the Company		(7,065)	(4,044)
Non-controlling interests		(1)	(5)
		(7,066)	(4,049)
Loss per share from continuing operations attributable to owners of the Company			
- Basic and diluted (AUD Cents)	11	(2.85)	(1.66)
Loss per share from discontinued operations attributable to owners of the Company			
- Basic and diluted (AUD Cents)	10	(0.03)	(0.03)

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2012

	Note	Group		Company	
		2012 AUD'000	2011 AUD'000	2012 AUD'000	2011 AUD'000
Non-current assets					
Property, plant and equipment	12	210,238	197,247	4	4
Intangible assets	13	2,621	2,606	-	-
Land held for property development	14	-	3,752	-	-
Investments in subsidiaries	15	-	-	19,956	19,956
Membership right	16	38	38	38	38
		212,897	203,643	19,998	19,998
Current assets					
Inventories	17	1,098	959	-	-
Trade and other receivables	18	5,042	4,738	24,563	21,064
Property development costs	19	4,218	43	-	-
Current income tax recoverable		-	171	-	-
Cash and cash equivalents	20	1,311	1,906	89	33
		11,669	7,817	24,652	21,097
Assets classified as held for sale	21	34	104	-	-
		11,703	7,921	24,652	21,097
Less:					
Current liabilities					
Trade and other payables	22	24,928	17,316	2,584	324
Provisions for employee entitlements	23	1,505	1,429	59	59
Bank borrowings - secured	24	11,835	7,805	-	-
Finance lease payables	25	642	819	-	-
Current income tax payable		99	1	-	1
		39,009	27,370	2,643	384
Liabilities classified as held for sale	21	188	214	-	-
		39,197	27,584	2,643	384
Net current (liabilities)/assets		(27,494)	(19,663)	22,009	20,713
Less:					
Non-current liabilities					
Trade and other payables	22	193	190	-	-
Provisions for employee entitlements	23	477	476	-	-
Bank borrowings - secured	24	98,476	90,521	-	-
Finance lease payables	25	943	1,275	-	-
Deferred tax liabilities	26	25,119	26,072	2	2
		125,208	118,534	2	2
Net assets		60,195	65,446	42,005	40,709
Equity					
Share capital	27	44,287	42,472	44,287	42,472
Treasury shares	28	(426)	(426)	(426)	(426)
Foreign currency translation reserve	29	(3,910)	(3,914)	(1,717)	(1,717)
Revaluation reserve	30	49,739	49,739	-	-
Accumulated (losses)/profits	31	(29,551)	(22,482)	(139)	380
Equity attributable to owners of the Company		60,139	65,389	42,005	40,709
Non-controlling interests		56	57	-	-
Total equity		60,195	65,446	42,005	40,709

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

Group	← Attributable to owners of the Company →					Total AUD'000	Non- controlling interests AUD'000	Total equity AUD'000
	Share capital AUD'000	Treasury shares AUD'000	Foreign currency translation reserve AUD'000	Re- valuation reserve AUD'000	Accu- mulated losses AUD'000			
Balance at 1.7.2011	42,472	(426)	(3,914)	49,739	(22,482)	65,389	57	65,446
Loss for the financial year	-	-	-	-	(7,069)	(7,069)	(1)	(7,070)
Other comprehensive income for the financial year:								
Exchange differences on translating foreign operations	-	-	4	-	-	4	-	4
Total comprehensive income for the financial year	-	-	4	-	(7,069)	(7,065)	(1)	(7,066)
Issuance of new shares	1,815	-	-	-	-	1,815	-	1,815
Balance at 30.6.2012	44,287	(426)	(3,910)	49,739	(29,551)	60,139	56	60,195
Balance at 1.7.2010	42,472	(426)	(3,883)	49,739	(18,469)	69,433	-	69,433
Loss for the financial year	-	-	-	-	(4,013)	(4,013)	(5)	(4,018)
Other comprehensive income for the financial year:								
Exchange differences on translating foreign operations	-	-	(31)	-	-	(31)	-	(31)
Total comprehensive income for the financial year	-	-	(31)	-	(4,013)	(4,044)	(5)	(4,049)
Subscription of new shares by a non-controlling interest in a newly acquired subsidiary	-	-	-	-	-	-	62	62
Balance at 30.6.2011	42,472	(426)	(3,914)	49,739	(22,482)	65,389	57	65,446

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

Company	Share capital AUD'000	Treasury shares AUD'000	Foreign currency translation reserve AUD'000	Accumulated profits/(losses) AUD'000	Total equity AUD'000
Balance at 1.7.2011	42,472	(426)	(1,717)	380	40,709
Loss for the financial year, representing total comprehensive income for the financial year	-	-	-	(519)	(519)
Issuance of new shares	1,815	-	-	-	1,815
Balance at 30.6.2012	44,287	(426)	(1,717)	(139)	42,005
Balance at 1.7.2010	42,472	(426)	(1,717)	299	40,628
Profit for the financial year, representing total comprehensive income for the financial year	-	-	-	81	81
Balance at 30.6.2011	42,472	(426)	(1,717)	380	40,709

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

	Note	2012 AUD'000	2011 AUD'000
Operating activities			
Loss before income tax from continuing operations		(6,274)	(2,781)
Loss before income tax from discontinued operations	10	(62)	(63)
		(6,336)	(2,844)
Adjustments for:			
Depreciation expenses	6	8,259	8,040
Impairment in value of property, plant and equipment	8	275	-
Loss on disposal of plant and equipment	8	79	129
Allowance for impairment in value of trade receivables	8	47	36
Interest expense	7	7,395	7,318
Interest income	8	(7)	(40)
Plant and equipment written-off	8	-	10
Operating cash flows before working capital changes		9,712	12,649
Working capital changes:			
Inventories		(139)	190
Trade and other receivables		(504)	217
Property development costs		(172)	(43)
Trade and other payables		7,777	2,199
Cash generated from operations		16,674	15,212
Interest received		7	40
Interest paid		(7,740)	(7,318)
Income tax paid		(1,281)	(955)
Net cash from operating activities		7,660	6,979
Investing activities			
Acquisitions of businesses	32	-	(1,080)
Purchase of property, plant and equipment	12	(7,068)	(5,364)
Purchase of intangible assets	13	-	(2)
Purchase of land held for property development	14	-	(3,752)
Proceeds from disposal of plant and equipment		16	105
Foreign currency translation adjustment		(43)	111
Net cash used in investing activities		(7,095)	(9,982)
Financing activities			
Proceeds from bank borrowings		1,815	3,651
Repayments of bank borrowings		(2,411)	(3,017)
Repayments of finance lease obligations		(823)	(345)
Foreign currency translation adjustment		14	(21)
Net cash (used in)/from financing activities		(1,405)	268
Net change in cash and cash equivalents		(840)	(2,735)
Cash and cash equivalents at beginning of financial year		1,074	3,840
Currency translation adjustment on cash and cash equivalents		3	(31)
Cash and cash equivalents at end of financial year	20	237	1,074

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

Lasseters International Holdings Limited (the "Company") is a public company limited by shares, incorporated and domiciled in the Republic of Singapore with its registered office at SGX Centre 2, #17-01, 4 Shenton Way, Singapore 068807. The Company does not have a place of business in Singapore at the date of this report. The Company's registration number is 200402223M.

The Company is listed on Catalist of the Singapore Exchange Securities Trading Limited.

The principal activities of the Company are those of an investment holding company and provider of management and technical services. The principal activities of the subsidiaries are disclosed in Note 15 to the financial statements.

The consolidated financial statements of the Company and its subsidiaries (the "Group") and statement of financial position and statement of changes in equity of the Company for the financial year ended 30 June 2012 were authorised for issue by the Board of Directors on 3 September 2012.

2. Summary of significant accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 and Singapore Financial Reporting Standards ("FRS"), including related Interpretations of FRS ("INT FRS"), and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates ("functional currency"). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Australian dollar ("AUD"), which is the functional and presentation currency of the Company and all values are rounded to the nearest thousand (AUD'000) except when otherwise indicated.

Although the Group has a negative working capital of AUD27,494,000 (2011: AUD19,663,000) as at 30 June 2012, the consolidated financial statements of the Group have been prepared on the basis that the Group is a going concern as in the opinion of the Directors of the Company, the Group would be able to meet its working capital needs and service debt obligations as and when they fall due without foregoing any necessary future capital expenditure based on its projected cash flows.

In the current financial year, the Group has adopted all the new and revised FRS and INT FRS that are relevant to its operations and effective for the current financial year. The adoption of these new or revised FRS and INT FRS does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior financial years except as disclosed below:

FRS 24 (Revised) Related Party Disclosures

FRS 24 (Revised) has been adopted beginning 1 July 2011 and has been applied retrospectively. The revised standard clarified the definition of a related party and does not have any impact on the amounts reported for the current or prior financial years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective

At the date of authorisation of these financial statements, the Group has not adopted the following FRS and INT FRS that have been issued but not yet effective:

	Effective date (Annual periods beginning on or after)
FRS 1 : Amendments to FRS 1 - Presentation of Items of Other Comprehensive Income	1.7.2012
FRS 12 : Amendments to FRS 12 - Deferred Tax: Recovery of Underlying Assets	1.1.2012
FRS 19 : Employee Benefits	1.1.2013
FRS 27 : Separate Financial Statements	1.1.2014
FRS 28 : Investments in Associates and Joint Ventures	1.1.2013
FRS 32 : Offsetting of Financial Assets and Financial Liabilities	1.1.2014
FRS 101 : Amendments to FRS 101 - Government loans	1.1.2013
FRS 107 : Offsetting of Financial Assets and Financial Liabilities	1.1.2013
FRS 110 : Consolidated Financial Statements	1.1.2014
FRS 111 : Joint Arrangements	1.1.2014
FRS 112 : Disclosure of Interests in Other Entities	1.1.2014
FRS 113 : Fair Value Measurements	1.1.2013
INT FRS 120 : Stripping Costs in the Production Phase of a Surface Mine	1.1.2013

Consequential amendments were also made to various standards as a result of these new or revised standards.

The management anticipates that the adoption of the above FRS and INT FRS, if applicable, in the future periods will have no material impact on the financial statements in the period of initial adoption, except as disclosed below.

Amendments to FRS 1 - Presentation of Items of Other Comprehensive Income

The amendments to FRS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the amendments only affect the presentation of items that are already recognised in other comprehensive income, the Group does not expect any impact on its financial position or performance upon adoption of this standard from the financial year beginning 1 July 2012.

FRS 110 Consolidated Financial Statements

FRS 110 changes the definition of control and applies it to all investees to determine the scope of consolidation. FRS 110 requirements will apply to all types of potential subsidiary. FRS 110 requires an investor to reassess the decision on whether to consolidate an investee when events indicate that there may be a change to one of the three elements of control, i.e. power, variable returns and the ability to use power to affect returns. This FRS is to be applied for annual periods beginning on or after 1 January 2013. The Group will determine the impact of this standard when it becomes effective.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies (Continued)

2.1 Basis of preparation of financial statements (Continued)

FRS and INT FRS issued but not yet effective (Continued)

FRS 112 Disclosure of Interests in Other Entities

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interest in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. The Group is currently determining the impact of the disclosure requirements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group upon adoption of this standard from the financial year beginning 1 July 2013.

FRS 113 Fair Value Measurements

FRS 113 provides guidance on how to measure fair values including those for both financial and non-financial items and introduces significantly enhanced disclosure about fair values. It does not address or change the requirements on when fair values should be used. When measuring fair value, an entity is required to use valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. It establishes a fair value hierarchy for doing this. This FRS is to be applied for annual periods beginning on or after 1 January 2013. The Group will determine the impact of this standard when it becomes effective.

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the Company and the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions actual results may differ from those estimates.

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Company has the power to govern the financial operating policies, generally accompanied by a shareholding giving rise to the majority of the voting rights, so as to obtain benefits from their activities.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to accumulated profits) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under *FRS 39 Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate.

Investments in subsidiaries in the Company's statement of financial position are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

2.3 Business combinations

Business combinations from 1 July 2010

The acquisition of subsidiaries and businesses is accounted for using the acquisition method. The consideration of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in the profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). Subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with *FRS 39 Financial Instruments: Recognition and Measurement*, or *FRS 37 Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss. Changes in the fair value of contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with *FRS 105 Non-Current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at the lower of cost and fair value less costs to sell.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with *FRS 12 Income Taxes* and *FRS 19 Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with *FRS 102 Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with *FRS 105 Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies (Continued)

2.3 Business combinations (Continued)

Business combinations from 1 July 2010 (Continued)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Business combinations before 1 July 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was probable and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

2.4 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of business of the Group and of the Company. Revenue is reduced for estimated customer returns, rebates, sales related taxes and other similar allowances.

Revenue from gaming is recognised upon the results of a game being determined when the amount of revenue can be measured reliably and it is probable that it will be received by the Group.

Revenue from food and beverages is recognised upon the billing of food and beverages to customers.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies (Continued)

2.4 Revenue recognition (Continued)

Revenue from rendering of services which include accommodation, convention centre, health retreat and spas are recognised when the service is rendered.

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods and retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

The Group has a customer loyalty programme whereby casino patrons are awarded credits known as "Points" entitling casino patrons to the right to redeem throughout the property. The fair value of the consideration received or receivable in respect of the initial sale is allocated between the Points and the other components of the sale. The amount allocated to the Points is estimated by reference to the fair value of the right to utilise at throughout the property. Such amount is deferred and revenue is recognised when the Points are redeemed and the Group has fulfilled its obligations to provide services. The amount of revenue recognised in those circumstances is based on the number of Points that have been redeemed in the property. Deferred revenue is also released to revenue when it is no longer considered probable that the Points will be redeemed.

2.5 Government subsidies

Government subsidies are recognised at the fair value in profit or loss where there is reasonable assurance that the subsidies will be received and all attaching conditions have been complied with.

When the subsidies relate to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate. When the subsidies relate to an asset, the fair value is recognised as a deduction from the carrying amount of the asset and amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.6 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies (Continued)

2.7 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other financial years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and the subsidiaries operate by the end of the financial year.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- When the sales tax that is incurred on purchase of assets or services is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

2.8 Dividends

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which dividends are approved by the shareholders.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies (Continued)

2.9 Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative profit or loss is re-presented as if the operation had been discontinued from the start of the comparative period.

2.10 Foreign currencies

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency ("foreign currencies") are recorded at the rate of exchange prevailing on the date of the transaction. At the end of the financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the financial year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the financial year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting consolidated financial statements of the Group, the results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing exchange rate as of the end of the financial year;
- (ii) income and expenses for each profit or loss are translated at average exchange rate for the financial year (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised in the foreign currency translation reserve within equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are recorded in the functional currency of the foreign operation and translated into Australian dollar at the closing exchange rate at the end of the financial year.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation, recognised in equity and accumulated in the separate component of equity, shall be reclassified from equity to profit or loss when the gain or loss on disposal is recognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies (Continued)

2.11 Property, plant and equipment

Freehold land and freehold buildings/licensed casino are revalued with sufficient regularity such that the carrying amounts do not differ materially from that which would be determined using fair values at the end of the financial year.

Any revaluation increase arising on the revaluation of such land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

All other plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure relating to the property, plant and equipment that has already been recognised is added to the carrying amount of the property, plant and equipment when it is probable that the future economic benefits, in excess of the standard of performance of the property, plant and equipment before the expenditure was made, will flow to the Group, and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

	Years
Freehold buildings/licensed casino	22 to 50
Plant and equipment	1.5 to 67
Leased assets and leasehold improvements	2.5 to 20

No depreciation is charged on construction-in-progress as they are not yet in use as at the end of the financial year.

Freehold land is not depreciated.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any amount in the revaluation reserve relating to that asset is transferred to accumulated profits/(losses) directly.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies (Continued)

2.12 Intangible assets

Goodwill on business combinations

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as negative goodwill in profit or loss of the Group on the date of acquisition.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of profit or loss on disposal.

Business licences

Business licences represent Queensland Gaming and Liquor Licences and Northern Territory Gaming Licence. Business licence is stated at cost less accumulated amortisation and impairment losses, if any. Amortisation on Queensland Gaming and Liquor Licences utilised in the Group's leasehold interests is recognised in profit or loss on a straight-line method over the lease term of the leasehold interests of 40 to 55 years. Amortisation on the Northern Territory Gaming Licence is recognised in profit or loss on a straight-line basis of 22 years over the useful life of the Northern Territory Gaming Licence to 30 June 2018 with an option to extend by another 5 years.

Patents and trademarks

Patents and trademarks represent costs associated with the protection of the name "LASSETERS", "The Golden Door" and the stylised "L" used by the Group. Patents and trademarks are stated at cost less impairment losses, if any. No amortisation is provided on the cost of patents and trademarks as the management believes that the patents and trademarks have indefinite useful life arising from continuous renewals of registration.

Product development costs

Research costs are expensed as incurred.

Costs incurred in developing systems and delivery mechanisms to facilitate the generation of revenues are brought to account as product development costs. An intangible asset arising from product development costs is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies (Continued)

2.12 Intangible assets (Continued)

The carrying value of the product development costs is reviewed for impairment annually when the asset is not yet in use or more frequently when an indication of impairment arises during the financial year.

2.13 Membership right

Membership right held on a long term basis is stated at cost less impairment losses, if any, based on a review at the end of each financial year.

2.14 Impairment of tangible and intangible assets excluding goodwill

At the end of each financial year, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior financial years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Cost is determined on a "first-in, first-out" basis. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution. Allowance is made for obsolete, slow-moving and defective inventories.

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, bank overdrafts and other short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies (Continued)

2.17 Development properties

Land held for property development

Land held for property development consists of land on which no significant development work has been undertaken or where development activities are not expected to be completed within the normal operating cycle. Such land is classified as non-current asset and is stated at cost less accumulated impairment losses.

Costs associated with the acquisition of land include the purchase price of the land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Where the Group had previously recorded the land at revalued amount it continues to retain this amount as its surrogate costs. Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount.

Land held for property development is transferred to property development costs when development activities have commenced and where the development activities can be completed within the normal operating cycle.

Property development costs

Development properties are held or developed for sale in the ordinary course of business, rather than to be held for the Group's own use, rental or capital appreciation.

Property development costs include:

- (i) Leasehold land;
- (ii) Amounts paid to contractors for construction; and
- (iii) Borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs that can be allocated on a reasonable basis to these activities.

Where property is under development and agreement has been reached to sell such property when the construction is complete, the management consider whether the contract comprises:

- A contract to construct a property; or
- A contract for the sale of a completed property.

When a contract is judged to be for construction of a property, revenue is recognised using the percentage of completion method as construction progresses.

Where the contract is judged to be for the sale of completed property, revenue is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer (i.e. completed contract method).

If, however, the legal terms of the contract are such that the construction represents continuous transfer of work in progress to the purchaser, the percentage of completion method of revenue recognition method is applied and revenue is recognised as work progresses.

Completed contract method

All revenue, expenses and income will only be recognised in profit or loss when the contract is substantially completed. If total contract cost exceeds total contract revenue, the amount of expected loss will be recognised immediately to profit or loss.

The management is of the view that revenue on this property development will be recognised under the completed contract method as the ownership of the real estate will be transferred to the buyer upon completion of the property. The said property is still in development stage and no revenue is recognised in the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies (Continued)

2.17 Development properties (Continued)

Completed contract method (Continued)

Property development costs are held as an asset and are stated at the lower of cost and net realisable value.

Where revenue recognised in the profit or loss exceeds billings to purchasers, the balance is shown as accrued billings under trade and other receivables. Where billings to purchasers exceed revenue recognised in the profit or loss, the balance is shown as progress billings under payables.

2.18 Non-current assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (or disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in the profit or loss. Gains are not recognised in excess of any cumulative impairment losses.

2.19 Financial instruments

Financial assets and financial liabilities are recognised on the statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

Financial assets

Financial assets are initially measured at fair value plus transaction costs.

The Group classifies its financial assets as loans and receivables. The classification depends on the nature and purpose of these financial assets and is determined at the time of initial recognition.

Loans and receivables

Trade receivables, loans and other receivables (other than prepayments) that have fixed or determinable payments that are not quoted in active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost, using the effective interest method less impairment. Interest is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies (Continued)

2.19 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment as of the end of the financial year. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the assets have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amounts of all financial assets are reduced by the impairment losses directly with the exception of trade receivables where the carrying amounts are reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the assets at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Ordinary shares are classified as equity and recognised at the fair value of the consideration received by the Group and the Company. Incremental costs directly attributable to the issuance of new shares are shown in the equity as a deduction from the proceeds.

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale issue or cancellation of treasury shares.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies (Continued)

2.19 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Equity instruments (Continued)

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or reissued pursuant to the employee share option scheme, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Trade and other payables

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Interest-bearing liabilities

Interest-bearing bank borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see Note 2.6).

Financial guarantee contracts

The Company has issued corporate guarantee to a bank for borrowings of a subsidiary and this guarantee qualify as financial guarantees because the Company is required to reimburse the bank if the subsidiary breach any repayment term.

Financial guarantee contract liabilities are measured initially at their fair values plus transaction costs and subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation in accordance with FRS 18 Revenue.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

2.20 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies (Continued)

2.20 Provisions (Continued)

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.21 Employee benefits

Provisions are made for employee entitlements arising from services rendered by employees to the end of the financial year. Employee entitlements expected to be settled within one financial year together with entitlements arising from salaries and wages, annual leave and sick leave which will be settled within one financial year have been measured at their nominal amount. Other employee entitlements payable later than one financial year have been measured at the present value of the estimated future cash flows to be made for those entitlements.

Defined contribution plans and employee superannuation funds

Contributions to defined contribution plans and employee superannuation funds are recognised as compensation expenses in profit or loss in the same financial year as the employment that gives rise to the contributions.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for unutilised annual leave as a result of services rendered by employees up to the end of the financial year.

2.22 Leases

Finance leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see Note 2.6).

Capitalised leased asset are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the finance lease term.

Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

2. Summary of significant accounting policies (Continued)

2.22 Leases (Continued)

Operating leases (Continued)

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial year in which termination takes place.

2.23 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and chief executive decision makers who make strategic decisions.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in Note 2, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements made in applying the entity's accounting policies

In the process of applying the Group's accounting policies, the management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements except as discussed below.

(i) Impairment of investments in subsidiaries and financial assets

The Group and the Company follow the guidance of FRS 36 and FRS 39 on determining when an investment in subsidiary or financial asset is impaired. This determination requires significant judgement. The Group and the Company evaluate, among other factors, the duration and extent to which the fair value of an investment in subsidiary and financial asset is less than its cost and the financial health of the near-term business outlook for the investment and financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities and the reported amounts of revenue and expenses within the next financial year, are discussed below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty (Continued)

(i) Depreciation of property, plant and equipment

Other than freehold land, property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. The management estimates the useful lives of these assets to be within 1.5 to 67 years (2011: 1.5 to 67 years). The carrying amount of the Group's property, plant and equipment, exclude freehold land, as at 30 June 2012 were AUD183,107,000 (2011: AUD170,177,000). Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

(ii) Impairment of goodwill, patents and trademarks and product development costs with indefinite useful life

The management determines whether goodwill, patents and trademarks and product development costs with indefinite useful life are impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill, patents and trademarks and product development costs with indefinite useful life are allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the goodwill, patents and trademarks and product development costs with indefinite useful life as at 30 June 2012 were AUD979,000 (2011: AUD964,000), AUD1,591,000 (2011: AUD1,591,000) and AUD51,000 (2011: AUD51,000), respectively. Details of the value in use calculations are provided in Note 13 to the financial statements.

(iii) Revaluation of freehold properties

The Group's freehold properties reported at fair value less accumulated depreciation, where applicable, are based on the Directors' valuations and/or reviewed by independent professional valuers.

The Directors have exercised judgement in determining discount rates, estimates of future cash flows, capitalisation rate, terminal year value, market freehold rental and other factors used in the valuation process. Also, judgement has been applied in estimating prices for less readily observable external parameters. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuation estimates. The carrying amount of the freehold properties revalued as at 30 June 2012 were AUD180,854,000 (2011: AUD187,110,000).

(iv) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group's provision for the income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provision in the financial year in which such determination is made. The carrying amount of the Group's current income tax recoverable, current income tax payable and deferred tax liabilities as at 30 June 2012 were AUD Nil (2011: AUD171,000), AUD99,000 (2011: AUD1,000) and AUD25,119,000 (2011: AUD26,072,000), respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

4. Revenue

Group	Continuing operations		Discontinued operations		Total	
	2012	2011	2012	2011	2012	2011
	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000
Gaming	22,984	24,087	-	-	22,984	24,087
Accommodation	19,932	21,122	-	-	19,932	21,122
Food and beverages	14,608	14,502	-	-	14,608	14,502
Health retreat and spas	9,679	11,461	-	-	9,679	11,461
Convention centre	3,810	4,478	-	-	3,810	4,478
Golf course	1,439	1,414	-	-	1,439	1,414
Others	3,129	3,439	2	10	3,131	3,449
	75,581	80,503	2	10	75,583	80,513

5. Employee benefits expense

Group	Continuing operations		Discontinued operations		Total	
	2012	2011	2012	2011	2012	2011
	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000
Wages, salaries and bonuses	26,081	26,597	-	-	26,081	26,597
Superannuation	2,126	1,952	-	-	2,126	1,952
Payroll tax	1,351	1,404	-	-	1,351	1,404
Provision made for employee entitlements (net)	1,791	1,554	-	-	1,791	1,554
Staff amenities	571	561	-	-	571	561
Contributions to defined contribution plans	24	27	-	-	24	27
Other social expenses and employee benefits	646	1,363	-	-	646	1,363
	32,590	33,458	-	-	32,590	33,458

These expenses include the amounts shown as Directors' remuneration in Note 33 to the financial statements.

6. Depreciation expenses

Group	Continuing operations		Discontinued operations		Total	
	2012	2011	2012	2011	2012	2011
	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000
Depreciation expenses	8,259	8,040	-	-	8,259	8,040

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

7. Finance costs

Group	Continuing operations		Discontinued operations		Total	
	2012	2011	2012	2011	2012	2011
	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000
Interest expenses on						
- commercial bills	7,041	7,049	-	-	7,041	7,049
- term loans	66	42	-	-	66	42
- finance leases	174	187	-	-	174	187
- bank overdraft	114	40	-	-	114	40
	7,395	7,318	-	-	7,395	7,318
Bank charges	129	115	3	6	132	121
	7,524	7,433	3	6	7,527	7,439

8. Loss before income tax

The above is arrived at:

Group	Continuing operations		Discontinued operations		Total	
	2012	2011	2012	2011	2012	2011
	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000	AUD'000
After charging:						
Audit fees						
- auditors of the Company	83	81	-	-	83	81
- other auditors	222	195	25	10	247	205
Non-audit fees to other auditors	78	67	8	3	86	70
Foreign exchange loss/(gain)	88	57	1	(5)	89	52
Loss on disposal of property, plant and equipment	79	129	-	-	79	129
Operating lease expenses, exclude villa lease rental	515	923	-	-	515	923
Plant and equipment written off	-	10	-	-	-	10
Allowance for impairment in value of trade receivables	47	36	-	-	47	36
Impairment in value of property, plant and equipment	275	-	-	-	275	-
Utilities	2,985	2,834	-	-	2,985	2,834
Repairs and maintenance	1,848	1,532	-	-	1,848	1,532
Rates and Taxes	570	597	-	-	570	597
Laundry services	2,166	2,294	-	-	2,166	2,294
Requisites and supplies	966	929	-	-	966	929
and crediting:						
Government subsidies	350	350	-	-	350	350
Interest income from banks	5	35	2	5	7	40

There are no non-audit fees paid/payable to the auditors of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

9. Income tax

	Group	
	2012 AUD'000	2011 AUD'000
Current income tax		
- current financial year	1,338	1,586
- under/(over) provision in prior financial years	349	(105)
	1,687	1,481
Deferred tax (Note 26)		
- current financial year	(624)	(205)
- over provision in prior financial years	(329)	(102)
	(953)	(307)
Total income tax in profit or loss	734	1,174

There are no income taxes derived from the discontinued operations.

Reconciliation of effective tax rate

	Group	
	2012 AUD'000	2011 AUD'000
Loss before income tax:		
Continuing operations	(6,274)	(2,781)
Discontinued operations	(62)	(63)
	(6,336)	(2,844)
Income tax calculated at Australia's statutory tax rate of 30%	(1,901)	(853)
Effect of different tax rates in other countries	69	(131)
Tax effect of income not subject to tax	(10)	(186)
Tax effect of expenses not deductible for income tax purposes	258	329
Tax effect of income tax exemption	(21)	(8)
Utilisation of deferred tax assets not recognised previously	(13)	(26)
Under/(over) provision of current income tax in prior financial years	349	(105)
Over provision of deferred tax in prior financial years	(329)	(102)
Deferred tax assets not recognised in profit or loss	2,332	2,256
	734	1,174

10. Discontinued operations

On 9 September 2008, the shares of Lasseters Corporation Limited ("LCL") were voluntarily suspended from quotation at the request of LCL. LCL ceased taking new bets on its online casino and sportsbetting businesses with effect from 3 October 2008 and 20 October 2008 respectively. LCL is continuing these business operations to the extent necessary to meet ongoing obligations to customers, and to preserve the assets of the businesses.

Pursuant to *FRS105 - Non-current Assets Held for Sale and Discontinued Operations*, the online casino business has been classified as assets/liabilities held for sale and the results of the discontinued operations have been presented separately in the statements of financial position and the consolidated statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

10. Discontinued operations (Continued)

The results of the discontinued operations are as follows:

		Group	
	Note	2012 AUD'000	2011 AUD'000
Revenue	4	2	10
Other operating expenses		(61)	(67)
Finance costs	7	(3)	(6)
Loss for the financial year from discontinued operations	8	(62)	(63)

The results and cash flows of the discontinued operations included in the consolidated statement of comprehensive income and the consolidated statement of cash flows are set out below:

	Group	
	2012 AUD'000	2011 AUD'000
Basic and diluted loss per share (AUD cents)	(0.03)	(0.03)
Cash flows used in discontinued operations		
Operating activities, representing net change in cash and cash equivalents	(119)	(61)

11. Loss per share

The calculations for loss per share are based on:

		Group	
	Note	2012 AUD'000	2011 AUD'000
Loss for the financial year attributable to owners of the Company		(7,069)	(4,013)
Continuing operations		(7,007)	(3,950)
Discontinued operations	10	(62)	(63)
		(7,069)	(4,013)
Weighted average number (2011: actual number) of fully-paid ordinary shares in issue during the financial year applicable to loss per share		245,622,946	237,469,521
Basic and diluted loss per share (AUD cents)		(2.88)	(1.69)
Continuing operations:			
Basic and diluted loss per share (AUD cents)		(2.85)	(1.66)

Basic loss per share is calculated by dividing the net loss for the financial year attributable to owners of the Company by the weighted average number (2011: actual number) of ordinary shares in issue during the financial year. As the Group has no dilutive potential ordinary shares, the diluted loss per share is equivalent to basic loss per share.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

12. Property, plant and equipment

Group	Freehold land AUD'000	Freehold buildings/ licensed casino AUD'000	Plant and equipment AUD'000	Leased assets and leasehold improvements AUD'000	Construction- in- progress AUD'000	Total AUD'000
Cost or valuation						
Balance at 1.7.2011	27,070	165,660	23,983	2,986	-	219,699
Reclassification	-	(5,709)	(35)	-	5,744	-
Additions	61	231	579	314	20,423	21,608
Disposals	-	-	(164)	-	-	(164)
Transfers	-	4,257	4,753	(843)	(8,167)	-
Written-off	-	-	(535)	-	-	(535)
Foreign currency translation adjustment	-	-	33	2	-	35
Balance at 30.6.2012	27,131	164,439	28,614	2,459	18,000	240,643
Representing:						
Cost	-	-	28,614	2,459	18,000	49,073
Valuation	27,131	164,439	-	-	-	191,570
	27,131	164,439	28,614	2,459	18,000	240,643
Accumulated depreciation						
Balance at 1.7.2011	-	5,620	15,351	1,481	-	22,452
Depreciation for the financial year	-	5,096	2,580	583	-	8,259
Disposals	-	-	(69)	-	-	(69)
Reclassification	-	-	636	(636)	-	-
Written-off	-	-	(535)	-	-	(535)
Foreign currency translation adjustment	-	-	22	1	-	23
Balance at 30.6.2012	-	10,716	17,985	1,429	-	30,130
Allowance for impairment in value						
Balance at 1.7.2011	-	-	-	-	-	-
Allowance for the financial year	-	-	275	-	-	275
Balance at 30.6.2012	-	-	275	-	-	275
Carrying amount						
Balance at 30.6.2012	27,131	153,723	10,354	1,030	18,000	210,238

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

12. Property, plant and equipment (Continued)

Group	Freehold land AUD'000	Freehold buildings/ licensed casino AUD'000	Plant and equipment AUD'000	Leased assets and leasehold improvements AUD'000	Total AUD'000
Cost or valuation					
Balance at 1.7.2010	26,825	158,649	22,865	2,557	210,896
Additions	245	7,039	1,120	986	9,390
Acquisition of business (Note 32)	-	-	57	-	57
Disposals	-	-	(66)	(462)	(528)
Reclassification	-	-	29	(29)	-
Written-off	-	(28)	(2)	-	(30)
Foreign currency translation adjustment	-	-	(20)	(66)	(86)
Balance at 30.6.2011	27,070	165,660	23,983	2,986	219,699
Representing:					
Cost	-	-	23,983	2,986	26,969
Valuation	27,070	165,660	-	-	192,730
	27,070	165,660	23,983	2,986	219,699
Accumulated depreciation					
Balance at 1.7.2010	-	619	13,190	951	14,760
Depreciation for the financial year	-	5,019	2,171	850	8,040
Disposals	-	-	(10)	(284)	(294)
Reclassification	-	-	3	(3)	-
Written-off	-	(18)	(2)	-	(20)
Foreign currency translation adjustment	-	-	(1)	(33)	(34)
Balance at 30.6.2011	-	5,620	15,351	1,481	22,452
Carrying amount					
Balance at 30.6.2011	27,070	160,040	8,632	1,505	197,247

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

12. Property, plant and equipment (Continued)

Company	Plant and equipment AUD'000
Cost	
Balance at 1.7.2011	25
Additions	2
Balance at 30.6.2012	27
Accumulated depreciation	
Balance at 1.7.2011	21
Depreciation for the financial year	2
Balance at 30.6.2012	23
Carrying amount	
Balance at 30.6.2012	4
Cost	
Balance at 1.7.2010	25
Additions	2
Written-off	(2)
Balance at 30.6.2011	25
Accumulated depreciation	
Balance at 1.7.2010	21
Depreciation for the financial year	2
Written-off	(2)
Balance at 30.6.2011	21
Carrying amount	
Balance at 30.6.2011	4

Plant and equipment owned by the Group comprise mainly of gaming machines, furniture and fittings, motor vehicles, office equipment and computers.

The freehold land and freehold buildings/licensed casino of the Group were valued based on a value-in-use calculation using cash flow projections on financial budgets covering a 5-year (2011: 5 year) period based on past performance and their expectations of the market development. The pre-tax discount rate applied to the cash flow projections is 12% (2011: 14%) and reflect specific risks relating to the segment. The growth rate used to extrapolate the cash flows beyond the 1-year period is based on revenue growth between 5% to 20% (2011: 5%) with direct costs and overheads being a direct increase against revenue and a fixed inflationary rate of 2% (2011: Nil) compounded annually. These assumptions used are based on the key indicators of the business and are consistent with the average industry players.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

12. Property, plant and equipment (Continued)

If the Group's freehold land and freehold buildings/licensed casino were measured using the cost model, the carrying amounts would be as follows:

Group	Freehold land		Freehold buildings/ licensed casino	
	2012 AUD'000	2011 AUD'000	2012 AUD'000	2011 AUD'000
Cost	21,266	21,205	123,273	124,494
Accumulated depreciation	-	-	(19,385)	(16,923)
Allowance for impairment in value	(1,135)	(1,135)	(8,058)	(8,058)
Carrying amount	20,131	20,070	95,830	99,513

As at the end of the financial year, the carrying values of property, plant and equipment which have been mortgaged as security for the bank facilities as set out in Note 24 to the financial statements are as follows:

	Group	
	2012 AUD'000	2011 AUD'000
Freehold land	27,131	27,070
Freehold buildings/licensed casino	153,723	160,040
Plant and equipment	10,258	8,600
	191,112	195,710

As at the end of the financial year, the carrying value of plant and equipment which were acquired under finance lease agreements as set out in Note 25 to the financial statements are as follows:

	Group	
	2012 AUD'000	2011 AUD'000
Leased assets and leasehold improvements	1,030	1,505

Finance leased assets are pledged as security for the related finance lease liabilities.

For the purpose of consolidated statement of cash flows, the Group's additions to property, plant and equipment during the financial year comprised:

	Group	
	2012 AUD'000	2011 AUD'000
Additions of property, plant and equipment	21,608	9,390
Acquired under bank borrowings	(14,227)	(3,491)
Acquired under finance lease agreements	(313)	(535)
Cash payments to acquire property, plant and equipment	7,068	5,364

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

12. Property, plant and equipment (Continued)

As at 30 June 2012, the Group's freehold properties are as follows:

Location	Description	Existing use	Gross land area (sqm)	Gross floor area (sqm)
93 Barrett Drive Alice Springs Northern Territory 0871 Australia	Lasseters Hotel Casino	Hotel and casino	79,600	22,608
561 – 585 Flinders Lane, Melbourne, Victoria 3000 Australia	Holiday Inn on Flinders	Hotel	1,729	9,142
Lot 3, 8 & 21, Corner MacDonalds and Thompsons Road Pokolbin New South Wales 2320 Australia	Cypress Lakes Resort Centre	Resort facilities	141,590	2,500
Lot 22, Corner MacDonalds and Thompsons Road Pokolbin New South Wales 2320 Australia	Cypress Lakes Golf Course	Golf course	821,610	700
Lot 32 & 33, Corner Macdonalds and Thompsons Road Pokolbin New South Wales 2320 Australia	Cypress Lakes Convention Centre	Convention centre	26,040	1,850
Lot 34, Thompsons Road Pokolbin New South Wales 2320 Australia	The Golden Door Health Retreat Elysia	Health retreat	182,100	6,000
Lot 21 – 24 & 37 400 Ruffles Road Willow Vale QLD 4209 Australia	The Golden Door Health Retreat Willowvale	Health retreat	23,367	1,300

As at 30 June 2012, the Group's leasehold interests are as follows:

Location	Description	Existing use	Tenure of land	Gross floor area (sqm)
93 Barrett Drive Alice Springs Northern Territory 0871 Australia	Convention Centre	Convention centre	19 years from 2001	4,852
73 Seaworld Drive Main Beach QLD 4217 Australia	The Golden Door Spa and Club at Mirage	Spa and health club	19 years from 2003	5,534
Bells Boulevard Salt Village South Kingscliff New South Wales 2487 Australia	The Golden Door Resort Spa at Salt	Spa and health club	7 years from 2006	812

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

13. Intangible assets

Group	Goodwill on business combinations AUD'000	Business licences AUD'000	Patents and trademarks AUD'000	Product development costs AUD'000	Total AUD'000
Cost					
Balance at 1.7.2011	1,582	1,885	1,591	51	5,109
Foreign currency translation adjustment	15	-	-	-	15
Balance at 30.6.2012	1,597	1,885	1,591	51	5,124
Accumulated amortisation					
Balance at 1.7.2011 and 30.6.2012	-	238	-	-	238
Allowance for impairment in value					
Balance at 1.7.2011 and 30.6.2012	618	1,647	-	-	2,265
Carrying amount					
Balance at 30.6.2012	979	-	1,591	51	2,621
Cost					
Balance at 1.7.2010	618	1,885	1,589	51	4,143
Additions	-	-	2	-	2
Acquisition of business (Note 32)	1,023	-	-	-	1,023
Foreign currency translation adjustment	(59)	-	-	-	(59)
Balance at 30.6.2011	1,582	1,885	1,591	51	5,109
Accumulated amortisation					
Balance at 1.7.2010 and 30.6.2011	-	238	-	-	238
Allowance for impairment in value					
Balance at 1.7.2010 and 30.6.2011	618	1,647	-	-	2,265
Carrying amount					
Balance at 30.6.2011	964	-	1,591	51	2,606

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

13. Intangible assets (Continued)

As at the end of the financial year, the carrying amounts of intangible assets which have been pledged as security for the bank facilities as set out in Note 24 to the financial statements are as follows:

	Group	
	2012 AUD'000	2011 AUD'000
Patents and trademarks	1,591	1,591
Product development costs	51	51
	1,642	1,642

Impairment tests for goodwill, patents and trademarks and product development costs with indefinite useful life

Goodwill, patents and trademarks and product development costs with indefinite useful life have been allocated to the Group's cash-generating units, which are reportable segments, for impairment testing is casinos, health retreat and spas segments.

Carrying amount of goodwill, patents and trademarks and product development costs with indefinite useful life allocated to each of the Group's cash-generating units are as follows:

	Casino		Health Retreat & Spas		Total	
	2012 AUD'000	2011 AUD'000	2012 AUD'000	2011 AUD'000	2012 AUD'000	2011 AUD'000
Goodwill	979	964	-	-	979	964
Patents and trademarks	6	6	1,585	1,585	1,591	1,591
Product development costs with indefinite useful life	-	-	51	51	51	51
	985	970	1,636	1,636	2,621	2,606

The recoverable amount is valued based on a value-in-use calculation using cash flow projections on financial budgets covering a 5-year (2011: 5 year) period based on past performance and their expectations of the market development. The pre-tax discount rate applied to the cash flow projections is 12% (2011: 14%) and reflect specific risks relating to the segment. The growth rate used to extrapolate the cash flows beyond the 1-year period is based on revenue growth between 5% to 20% (2011: 5%) with direct costs and overheads being a direct increase against revenue and a fixed inflationary rate of 2% (2011: Nil) compounded annually. These assumptions used are based on the key indicators of the business and are consistent with the average industry players.

For the purpose of consolidated statement of cash flows, the Group's additions to intangible assets during the financial year comprised:

	Group	
	2012 AUD'000	2011 AUD'000
Cash payments to acquire intangible assets	-	2

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

14. Land held for property development

	Group	
	2012 AUD'000	2011 AUD'000
Leasehold land, at cost	-	3,752
At beginning of financial year	3,752	-
Land costs incurred during the financial year	-	3,752
Borrowing costs capitalised during the financial year	232	-
Foreign currency translation adjustment	19	-
Transfer to current assets [Note 19]	(4,003)	-
At end of financial year	-	3,752

The rate used to determine the amount of borrowing costs eligible for capitalisation is 8.13% (2011: Nil), which is the effective interest rate of the specific borrowing.

Land held for property development of the Group has been pledged as security for the bank facilities as set out in Note 24 to the financial statements.

The details of the leasehold land held for development are as follows:

Location	Description	Existing use	Gross land area (sqm)
Lot Nos. PT9772, PT9773, PT9774, PT9775, PT9776, PT9777 & PT9778, Jalan P4/8, Seksyen 4, Bandar Teknologi Kajang, 43500 Semenyih, Selangor	Land held for property development	Vacant land	28,336

The Group's effective interest in the property is 80% (2011: 80%).

Leasehold land cost has been transferred to current assets as the property development activities have commenced during the financial year.

15. Investments in subsidiaries

	Company	
	2012 AUD'000	2011 AUD'000
Quoted equity shares in a corporation, at cost	243	243
Less: Allowance for impairment in value	(243)	(243)
	-	-
Unquoted equity shares in corporations, at cost	26,201	26,201
Less: Allowance for impairment in value	(6,245)	(6,245)
	19,956	19,956
	19,956	19,956

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

15. Investments in subsidiaries (Continued)

Movement in allowance for impairment in value during the financial year was as follows:

	Company	
	2012 AUD'000	2011 AUD'000
At beginning/end of financial year	6,488	6,488

As at 30 June 2012 and 30 June 2011, there is no market value for the above quoted equity shares held by the Company as the shares of the subsidiary are currently under voluntary suspension from quotation.

As at the end of the financial year, the Company carried out a review on the recoverable amount of its investments in subsidiaries. The review led to no impairment loss to be recognised in profit or loss of the Company for the financial year ended 30 June 2012 and 30 June 2011.

Particulars of the subsidiaries are as follows:

Name of company	Country of incorporation and operations	Principal activities	Effective equity interest	
			2012 %	2011 %
Held by the Company				
* Lasseters Investments Pte. Ltd.	Singapore	Investment holding company	100	100
* Lasseters International Pte. Ltd.	Singapore	Investment holding company	100	100
* Lasseters Interactive Gaming Pte. Ltd.	Singapore	Investment holding company	100	100
# Lasseters Holdings Pty Ltd	Australia	Investment holding company	100	100
^ Lasseters Management (M) Sdn Bhd	Malaysia	Provision of management services	100	100
^ Merry Palms Sdn Bhd	Malaysia	Property development	80	80
#, **, ^^^ Lasseters Corporation Limited	Australia	Investment holding company and provision of management services	2	2
* Lasseters Resorts Pte. Ltd.	Singapore	Investment holding company	100	100
@ Lasseters Investments (NSW) Pte. Ltd.	Singapore	Investment holding company	100	100
@ Lasseters Investments (QLD) Pte. Ltd.	Singapore	Investment holding company	100	100
* Lasseters Investments (NZ) Pte. Limited	Singapore	Investment holding company	100	100
# Lasseters ANZ Pty Ltd	Australia	Investment holding company	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

15. Investments in subsidiaries (Continued)

	Name of company	Country of incorporation and operations	Principal activities	Effective equity interest	
				2012 %	2011 %
Held by Lasseters International Pte. Ltd.					
#	Lasseters Seaford Hotel Pty Ltd	Australia	Investment holding company	100	100
Held by Lasseters Interactive Gaming Pte. Ltd.					
#, **, ^^^	Lasseters Corporation Limited	Australia	Investment holding company and provision of management services	71	71
Held by Lasseters Holdings Pty Ltd					
#	Ford Dynasty Pty Ltd	Australia	Casino operations, provision of hotel accommodation, convention centre, food and beverages business	100	100
Held by Lasseters Resorts Pte. Ltd.					
#	Lasseters CLG Pty Ltd	Australia	Investment holding company	100	100
Held by Lasseters Investments (NZ) Pte. Ltd.					
##	Lasseters (NZ) Limited	New Zealand	Investment holding company	100	100
Held by Lasseters Seaford Hotel Pty Ltd					
#	Lasseters Valley Pty Ltd	Australia	Investment holding company	100	100
Held by Lasseters Corporation Limited					
#, **, ^^^	Lasseters Casino Pty Limited	Australia	Online casino gaming	73	73
#, **, ^^^	Lasseters Sportsbook Pty Ltd	Australia	Sportsbetting	73	73
@, **, ^^	Aus Vegas Pty Limited	Australia	Online Casino Gaming	-	73
Held by Lasseters CLG Pty Ltd					
#, ***	Cypress Lakes Group Limited	Australia	Properties holding, developer and operator of Cypress Lakes Resort, Golf Course and Club and the Golden Door Retreat and Spas	100	100

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

15. Investments in subsidiaries (Continued)

	Name of company	Country of incorporation and operations	Principal activities	Effective equity interest	
				2012 %	2011 %
	Held by Cypress Lakes Group Limited				
#, ***	Cypress Resorts Management Pty Limited	Australia	Provision of resort management	100	100
#, ***	Cypress Lakes Golf and Country Club Pty Limited	Australia	Provision of golf course and club management	100	100
#, ***	Cypress Lakes Resort Real Estate Pty Limited	Australia	Provision of real estate management	100	100
#, ***	Cypress Lakes Property Pty Limited	Australia	Properties holding, provision of hotel accommodation, food and beverages business	100	100
#, ***	The Golden Door Pty Limited	Australia	Provision of health retreat and spas management	100	100
#, ***	The Golden Door Holdings Pty Ltd	Australia	Provision of health retreat and spas management	100	100
#, ***	Cypress Lakes Catering Pty Ltd	Australia	Provision of catering services	100	100
#, ***	Cypress Lakes Villa Management Pty Ltd	Australia	Villa management	100	100
	Held by The Golden Door Pty Limited				
#, ***	The Golden Door Health Retreat – Elysia Pty Limited	Australia	Provision of health retreat and spas management	100	100
#, ***	The Golden Door Spa at Salt Pty Ltd	Australia	Provision of day spa services	100	100
#, ***	The Golden Door Resort Spa – Cypress Lakes Pty Limited	Australia	Provision of day spa services	100	100
	Held by Lasseters (NZ) Limited				
##	Otago Casinos Ltd	New Zealand	Casino operations, food and beverages business	100	100

* Audited by BDO LLP, Singapore

Audited by BDO Audit Pty Ltd, Chartered Accountants, Brisbane, Australia, a member firm of BDO International Limited

Audited by BDO New Zealand Limited, Chartered Accountants, Christchurch, New Zealand, a member firm of BDO International Limited

^ Audited by BDO, Chartered Accountants, Malaysia, a member firm of BDO International Limited

@ Not required to be audited under the law in the country of incorporation

** As at 30 June 2012 and 30 June 2011, it formed part of disposal group (Note 21)

*** As at 30 June 2012 and 30 June 2011, effective equity interest held by the Group was at 99.90%, rounded up to 100%

^^ Deregistered on 27 July 2011

^^^ As at 30 June 2012 and 30 June 2011, effective equity interest held by the Group was at 73.36%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

16. Membership right

	Group and Company	
	2012	2011
	AUD'000	AUD'000
Membership right, at cost	38	38

As at the end of the financial year, the membership right is held in trust by an employee of the Company.

17. Inventories

	Group	
	2012	2011
	AUD'000	AUD'000
Consumables	1,098	959

Inventories of AUD1,098,000 (2011: AUD959,000) of the Group have been pledged as security for the bank facilities as set out in Note 24 to the financial statements.

The cost of inventories recognised as an expense in profit or loss amounted to AUD6,506,000 (2011: AUD6,850,000).

18. Trade and other receivables

	Group		Company	
	2012	2011	2012	2011
	AUD'000	AUD'000	AUD'000	AUD'000
Trade receivables	3,805	3,079	-	-
Less: Allowance for impairment in value	(134)	(87)	-	-
	3,671	2,992	-	-
Other receivables	446	364	4	2
Prepayments	925	1,382	6	11
Due from subsidiaries				
- trade	-	-	1,962	2,857
- non-trade	-	-	13,034	10,623
- loan	-	-	16,581	14,595
Less: Allowance for impairment in value	-	-	(7,024)	(7,024)
	-	-	24,553	21,051
	5,042	4,738	24,563	21,064

Movement in allowance for impairment in value during the financial year was as follows:

	Group		Company	
	2012	2011	2012	2011
	AUD'000	AUD'000	AUD'000	AUD'000
At beginning of financial year	87	51	7,024	7,024
Impairment for the financial year	47	36	-	-
At end of financial year	134	87	7,024	7,024

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

18. Trade and other receivables (Continued)

Trade receivables are non-interest bearing and generally on 15 to 90 days' (2011: 15 to 90 days) terms.

Other receivables comprise mainly receivables for operating subsidy for the convention centre, goods and services taxes, refundable deposits paid and operating floats.

Trade and other receivables of AUD4,093,000 (2011: AUD3,273,000) of the Group have been pledged as securities for the bank facilities as set out in Note 24 to the financial statements.

Impairment of trade receivables arose mainly from customers who have difficulty in settling the amount due.

The amounts due from subsidiaries which are trade in nature represent management and technical services fee receivable which are unsecured and have a credit term of 7 days (2011: 7 days). Amount outstanding for more than 7 days (2011: 7 days) bear interest at 3% (2011: 3%) per annum.

The amounts due from subsidiaries which are non-trade in nature and the loans to subsidiaries are unsecured, interest-free and repayable on demand.

Impairment of amounts due from subsidiaries arose mainly from working capital loan to subsidiaries which have suffered significant losses from their operations.

Trade and other receivables are denominated in the following currencies:

	Group		Company	
	2012 AUD'000	2011 AUD'000	2012 AUD'000	2011 AUD'000
Australian dollar	5,012	4,646	23,833	20,485
Singapore dollar	18	13	360	301
Malaysian ringgit	4	68	370	277
New Zealand dollar	8	11	-	1
	5,042	4,738	24,563	21,064

19. Property development costs

	Group	
	2012 AUD'000	2011 AUD'000
At beginning of financial year	43	-
Costs incurred during the financial year	172	43
Transfer from land held for property development	4,003	-
At end of financial year	4,218	43
Property development costs consists of:		
Land costs	4,003	-
Development costs	215	43
	4,218	43

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

20. Cash and cash equivalents

	Group		Company	
	2012 AUD'000	2011 AUD'000	2012 AUD'000	2011 AUD'000
Cash and bank balances	1,311	1,906	89	33
Bank overdraft (Note 24)	(1,092)	(936)	-	-
	219	970	89	33
Assets/liabilities classified as held for sale (Note 21):				
- Cash and bank balances	18	104		
	237	1,074		

Bank balances of approximately AUD1,039,000 (2011: AUD1,740,000) bears interest from 0.01% to 4.75% (2011: 0.01% to 4.80%) per annum.

Cash and cash equivalents of AUD1,092,000 (2011: AUD1,582,000) of the Group have been pledged as security for the bank facilities as set out in Note 24 to the financial statements.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2012 AUD'000	2011 AUD'000	2012 AUD'000	2011 AUD'000
Australian dollar	719	1,434	50	24
Singapore dollar	26	10	22	6
New Zealand dollar	(296)	(220)	-	-
Malaysian ringgit	(212)	(150)	17	3
	237	1,074	89	33

21. Assets/Liabilities classified as held for sale

On 9 September 2008, the shares of LCL were voluntarily suspended from quotation at the request of LCL. LCL ceased taking new bets on its online casino and sportsbetting businesses with effect from 3 October 2008 and 20 October 2008 respectively. LCL is continuing these business operations to the extent necessary to meet ongoing obligations to customers, and to preserve the assets of the businesses.

Pursuant to *FRS105 - Non-current Assets Held for Sale and Discontinued Operations*, the online casino business has been classified as assets/liabilities held for sale and the results of the discontinued operations have been presented separately in the statements of financial positions and the consolidated statement of comprehensive income respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

21. Assets/Liabilities classified as held for sale (Continued)

Details of assets/liabilities classified as held for sale are as follows:

	Note	Group	
		2012 AUD'000	2011 AUD'000
Assets			
Trade and other receivables		16	-
Cash and bank balances	20	18	104
		34	104
Liabilities			
Trade and other payables		188	214

As at the end of the current and previous financial years, the assets and liabilities classified as held for sale as disclosed above are denominated in Australian dollar.

22. Trade and other payables

	Group		Company	
	2012 AUD'000	2011 AUD'000	2012 AUD'000	2011 AUD'000
Current liabilities				
Trade payables	12,395	6,398	-	-
Other payables and accruals	12,300	10,671	2,584	324
Gaming tax payables	204	219	-	-
Due to Directors of the Company (non-trade)	29	28	-	-
	24,928	17,316	2,584	324
Non-current liabilities				
Other payables	193	190	-	-
	25,121	17,506	2,584	324

Trade payables are non-interest bearing and are normally settled between 7 to 45 days (2011: 7 to 45 days) terms.

Other payables and accruals comprise mainly payables for payroll taxes, superannuation contributions and other operating expenses.

The amounts due to Directors (non-trade) are unsecured, interest-free and repayable on demand.

Trade and other payables are denominated in the following currencies:

	Group		Company	
	2012 AUD'000	2011 AUD'000	2012 AUD'000	2011 AUD'000
Australian dollar	23,944	16,781	2,250	2
Singapore dollar	391	357	334	299
New Zealand dollar	313	270	-	-
Malaysian ringgit	473	98	-	23
	25,121	17,506	2,584	324

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

23. Provisions for employee entitlements

	Group		Company	
	2012 AUD'000	2011 AUD'000	2012 AUD'000	2011 AUD'000
Current liabilities	1,505	1,429	59	59
Non-current liabilities	477	476	-	-
	1,982	1,905	59	59

Movements in provisions for employee entitlements during the financial year were as follows:

	Group		Company	
	2012 AUD'000	2011 AUD'000	2012 AUD'000	2011 AUD'000
At beginning of financial year	1,905	1,852	59	63
Provision made during the financial year	1,791	1,554	-	3
Provision utilised/reversed	(1,730)	(1,492)	-	(7)
Foreign currency transaction adjustment	16	(9)	-	-
At end of financial year	1,982	1,905	59	59

24. Bank borrowings - secured

	Group	
	2012 AUD'000	2011 AUD'000
Current liabilities		
Bank overdrafts (Note 20)	1,092	936
Term loans	568	194
Commercial bills	10,175	6,675
	11,835	7,805
Non-current liabilities		
Term loans	2,721	3,268
Commercial bills	95,755	87,253
	98,476	90,521

Non-current bank borrowings are repayable as follows:

	Group	
	2012 AUD'000	2011 AUD'000
In the second year	96,415	88,354
In the third year	2,061	1,578
In the fourth year	-	589
	98,476	90,521

Bank overdrafts bear interest from 6.47% to 10.52% (2011: 7.80% to 10.52%) per annum and are repayable on demand.

Term loans bear interest from 5.68% to 8.13% (2011: 5.62% to 8.10%) per annum and are repayable by 30 June 2014 and 30 November 2014 on a quarterly and annually basis respectively.

Commercial bills bear interest from 6.67% to 7.97% (2011: 5.34% to 6.24%) per annum and are repayable by 31 August 2013 on a quarterly basis.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

24. Bank borrowings - secured (Continued)

The bank borrowings are secured by:

- (a) fixed and floating charges over the whole assets of Ford Dynasty Pty Ltd, Lasseters Holdings Pty Ltd, Cypress Lakes Group Limited, Cypress Lakes Catering Pty Ltd, Cypress Lakes Villa Management Pty Ltd, Cypress Lakes Golf & Country Club Pty Ltd, Cypress Resorts Management Pty Ltd, Cypress Lakes Resort Real Estate Pty Ltd, Cypress Lakes Property Pty Ltd, The Golden Door Pty Ltd, The Golden Door Holdings Pty Ltd, The Golden Door Spa at Salt Pty Ltd, The Golden Door Resort Spa – Cypress Lakes Pty Ltd, The Golden Door Health Retreat – Elysia Pty Ltd and Lasseters CLG Pty Ltd;
- (b) fixed and floating charges over the present and future assets of Merry Palms Sdn Bhd;
- (c) security interests (General Security Agreements), present and future assets of Otago Casinos Limited and Lasseters (NZ) Limited;
- (d) registered mortgage over the freehold land and buildings of Ford Dynasty Pty Ltd, Cypress Lakes Group Limited, Cypress Lakes Property Pty Ltd, The Golden Door Health Retreat – Elysia Pty Ltd, The Golden Door Spa – Cypress Lakes Pty Ltd and The Golden Door Pty Ltd;
- (e) registered mortgage over the leasehold land of Merry Palms Sdn Bhd;
- (f) letter of subordination of intra-group loans from the Company, Lasseters Investments Pte. Ltd., Lasseters Seaford Pty Ltd and Ford Dynasty Pty Ltd;
- (g) interlocking guarantee and indemnity of AUD108,862,000 (2011: AUD97,692,000) and NZD1,500,000 (2011: NZD1,500,000) between Ford Dynasty Pty Ltd, Lasseters Holdings Pty Ltd, Cypress Lakes Group Limited, Cypress Lakes Catering Pty Ltd, Cypress Lakes Villa Management Pty Ltd, Cypress Lakes Golf & Country Club Pty Ltd, Cypress Resorts Management Pty Ltd, Cypress Lakes Resort Real Estate Pty Ltd, Cypress Lakes Property Pty Ltd, The Golden Door Pty Ltd, The Golden Door Holdings Pty Ltd, The Golden Door Spa at Salt Pty Ltd, The Golden Door Resort Spa – Cypress Lakes Pty Ltd, The Golden Door Health Retreat – Elysia Pty Ltd and Lasseters CLG Pty Ltd;
- (h) a guarantee, for the amount of NZD1,500,000 (2011: NZD1,500,000) in Otago Casinos Limited and Lasseters (NZ) Limited;
- (i) a guarantee from a financier for the amount of NZD1,500,000 (2011: NZD1,500,000) plus interest and costs; and
- (j) corporate guarantee for RM10,200,000 (2011: RM10,200,000) executed by the Company.

Commercial bills of AUD39,150,000 (2011: AUD39,575,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Other borrowings are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. The interest rates of these floating rate loans reprice at intervals of 1 to 5 months (2011: 1 to 6 months).

The carrying amounts of current bank borrowings approximate their fair values. The fair values of non-current bank borrowings are as follows:

	Group	
	2012 AUD'000	2011 AUD'000
Term loans	2,245	3,134
Commercial bills	83,766	82,740
	86,011	85,874

The management estimates the fair value of the bank borrowings from a discounted cash flows analysis, using a discount rate ranging between 5.68% and 8.13% (2011: 5.62% and 8.29%) based on a prevailing available market borrowing rates at the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

24. Bank borrowings - secured (Continued)

The bank borrowings are secured by (Continued):

Bank borrowings are denominated in the following currencies:

	Group	
	2012 AUD'000	2011 AUD'000
Australian dollar	106,322	94,370
New Zealand dollar	818	944
Malaysian ringgit	3,171	3,012
	110,311	98,326

The Group has banking facilities as follows:

	Group	
	2012 AUD'000	2011 AUD'000
Banking facilities granted	136,075	136,054
Banking facilities utilised	110,311	98,326

25. Finance lease payables

Group	Minimum lease payments AUD'000	Future finance charges AUD'000	Present value of minimum lease payments AUD'000
2012			
Not later than one year	752	(110)	642
Later than one year but not later than five years	1,015	(72)	943
	1,767	(182)	1,585
2011			
Not later than one year	968	(149)	819
Later than one year but not later than five years	1,416	(141)	1,275
	2,384	(290)	2,094

	Group	
	2012 %	2011 %
Effective interest rates	3.56 – 11.50	3.56 – 11.50

The lease terms range from 1 to 7 years (2011: 1 to 7 years).

Interest rates are fixed at the contract date, and expose the Group to fair value interest rate risk. All finance leases are on fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The fair value of the Group's lease obligations approximates their carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

25. Finance lease payables (Continued)

Finance lease payables are denominated in the following currencies:

	Group	
	2012 AUD'000	2011 AUD'000
Australian dollar	1,561	2,010
Malaysian ringgit	24	84
	1,585	2,094

26. Deferred tax liabilities

	Group		Company	
	2012 AUD'000	2011 AUD'000	2012 AUD'000	2011 AUD'000
Deferred tax liabilities				
At beginning of financial year	26,072	26,379	2	2
Credited to profit or loss (Note 9)	(953)	(307)	-	-
At end of financial year	25,119	26,072	2	2

Deferred tax assets/(liabilities) are attributable to the following:

	Group		Company	
	2012 AUD'000	2011 AUD'000	2012 AUD'000	2011 AUD'000
Provisions for employee entitlements	326	267	-	-
Accruals	151	137	-	-
Revaluation surplus	(25,959)	(25,959)	-	-
Property, plant and equipment	422	(461)	-	-
Other temporary differences	(59)	(56)	(2)	(2)
	(25,119)	(26,072)	(2)	(2)

Deferred tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. As at the end of the financial year, the Group has unutilised tax losses of approximately AUD95,303,000 (2011: AUD87,563,000) available for offset against future taxable profits subject to the agreement by the tax authorities and provisions of the tax legislations of the respective countries in which the Group operates. No deferred tax assets have been recognised in respect of the total amount of approximately AUD95,303,000 (2011: AUD87,563,000) of such losses as the availability of sufficient future taxable profits to realise these future benefits is uncertain. Accordingly, these deferred tax assets have not been recognised in the consolidated financial statements of the Group in accordance with the accounting policy in Note 2.7 to the financial statements. These tax losses have no expiry date.

	Group	
	2012 AUD'000	2011 AUD'000
Unrecognised deferred tax assets		
At beginning of financial year	33,810	30,553
Amount not recognised:		
- current financial year	2,332	2,256
- prior financial years	-	1,027
Amount recognised	-	(26)
At end of financial year	36,142	33,810

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

26. Deferred tax liabilities (Continued)

	Group	
	2012 AUD'000	2011 AUD'000
Unrecognised deferred tax assets arise as a result of:		
Unutilised tax losses	28,591	26,259
Property, plant and equipment	5,901	5,901
Intangible assets	679	679
Provision for employee entitlements	402	402
Other temporary differences	569	569
	36,142	33,810

27. Share capital

	Group and Company			
	SGD'000	2012 AUD'000	SGD'000	2011 AUD'000
Issued and fully-paid, with no par value				
241,017,521 (2011: 241,017,521) ordinary shares at beginning of financial year	50,015	42,472	50,015	42,472
Issuance of 12,000,000 shares at SGD0.20	2,400	1,815	-	-
253,017,521 (2011: 241,017,521) ordinary shares at end of financial year	52,415	44,287	50,015	42,472

The Company has one class of ordinary shares which carry no right to fixed income.

On 27 October 2011, the Company has completed an allotment and issue of 12,000,000 new ordinary shares at an issue price of SGD0.20 for each New Share.

28. Treasury shares

	Group and Company			
	2012 Number of ordinary shares'000	2011 Number of ordinary shares'000	2012 AUD'000	2011 AUD'000
Issued and fully-paid				
At beginning and end of financial year	3,548	3,548	426	426

The Company acquired 3,548,000 of its own shares through purchases on the Singapore Exchange Securities Trading Limited. The total amount paid to acquire the shares was AUD426,000 and has been deducted from shareholders' equity.

29. Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the foreign operations from non-Australian dollar to Australian dollar (presentation currency) and is non-distributable. Movements in foreign currency translation reserve were shown in statements of changes in equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

30. Revaluation reserve

	Group	
	2012 AUD'000	2011 AUD'000
Non-distributable		
At beginning and end of financial year	49,739	49,739

Revaluation reserve pertains to the revaluation of freehold land and buildings.

31. Accumulated (losses)/profits

	Group		Company	
	2012 AUD'000	2011 AUD'000	2012 AUD'000	2011 AUD'000
(Suffered)/Retained by:				
The Company	(139)	380	(139)	380
Subsidiaries	(29,412)	(22,862)	-	-
	(29,551)	(22,482)	(139)	380

Accumulated (losses)/profits of the Group and the Company are distributable except for the accumulated negative goodwill of approximately AUD27,285,000 (2011: AUD27,285,000). Movements in accumulated (losses)/profits during the financial year were shown in statements of changes in equity.

32. Acquisition of business

On 14 July 2010, the Group acquired a leasehold restaurant business adjoining to the existing Wharf Casino through its wholly-owned subsidiary, Otago Casinos Ltd. The acquisition allowed the Group to venture into food and beverages businesses in New Zealand. From the date of acquisition, the acquired leasehold restaurant business had contributed revenue of AUD521,000 and a net operating loss of AUD69,000 to the net loss of the Group in 2011.

The fair value of the identifiable assets and liabilities of the business as at the date of acquisitions was:

Group	Fair value recognised on acquisition 2011 AUD'000
Property, plant and equipment, representing net identifiable assets acquired	57
Goodwill on business combination	1,023
Total purchase consideration paid	1,080
Cost of the acquisitions	
Cash consideration paid, representing cash and cash equivalents used in acquisition of business	(1,080)

At the date of business acquisition of the leasehold restaurant business, the carrying amount before combination approximated to the fair value recognised on acquisition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

33. Significant related party transactions

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Group and Company if that person:
- (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.
- (b) An entity is related to the Group and the Company if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint ventures of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company is itself such a plan, the sponsoring employers are also related to the Company.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Many of the Group's and Company's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

In addition to the related party information disclosed elsewhere in the financial statements, the following are significant related party transactions during the year between the Group entities and Company and related parties at rates and terms agreed between the parties:

	Group		Company	
	2012 AUD'000	2011 AUD'000	2012 AUD'000	2011 AUD'000
With other related party				
Rental expenses	165	172	-	-
With subsidiaries				
Management and technical services fee income	-	-	1,027	1,853
Interest income	-	-	262	207
Management fee expenses	-	-	500	620
Settlement of liabilities on behalf of subsidiaries	-	-	167	124
With Directors of the Company				
Directors' fees	344	288	140	135

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

33. Significant related party transactions (Continued)

Compensation of key management personnel

The remuneration of Directors and other members of key management of the Group and of the Company during the financial year were as follows:

	Continuing operations		Discontinued operations		Total	
	2012 AUD'000	2011 AUD'000	2012 AUD'000	2011 AUD'000	2012 AUD'000	2011 AUD'000
Group						
Short-term benefits	1,987	2,035	-	-	1,987	2,035
Post-employment benefits	90	106	-	-	90	106
	2,077	2,141	-	-	2,077	2,141
Company						
Short-term benefits	805	801	-	-	805	801

The above includes the following remuneration to the Directors of the Company and of the subsidiaries:

	Continuing operations		Discontinued operations		Total	
	2012 AUD'000	2011 AUD'000	2012 AUD'000	2011 AUD'000	2012 AUD'000	2011 AUD'000
Group						
<i>Directors of the Company</i>						
Directors' fee	344	288	-	-	344	288
Short-term benefits	524	274	-	-	524	274
	868	562	-	-	868	562
<i>Directors of the subsidiaries</i>						
Short-term benefits	62	46	-	-	62	46
	930	608	-	-	930	608
Company						
<i>Directors of the Company</i>						
Directors' fee	140	135	-	-	140	135
Short-term benefits	289	274	-	-	289	274
	429	409	-	-	429	409

34. Commitments and contingent liabilities

Operating lease commitments

As at the end of the financial year, there were operating lease commitments for rental payable in subsequent accounting periods as follows:

	Group	
	2012 AUD'000	2011 AUD'000
Not later than one year	2,600	2,480
Later than one year but not later than five years	6,952	7,402
Later than five years	2,467	4,789
	12,019	14,671

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

34. Commitments and contingent liabilities (Continued)

The above operating lease commitments are based on existing rental rates. The operating lease agreements provide for periodic revision of such rates in the future.

Certain operating leases have an option to renew at prevailing market rates at the time of renewal.

Capital commitments

As at the end of the financial year, the Group had the following capital commitments:

	Group	
	2012	2011
	AUD'000	AUD'000
Purchase of property, plant and equipment contracted but not provided for	23,282	36,584
Purchase of plant and equipment authorised but not contracted for	3,651	6,365
	26,933	42,949

Contingent liabilities

Company

The Company has undertaken to provide continued financial support to twelve (2011: twelve) of its subsidiaries, Lasseters Management (M) Sdn Bhd, Lasseters International Pte. Ltd., Lasseters Resorts Pte. Ltd., Lasseters Investments (NSW) Pte. Ltd., Lasseters Investments (QLD) Pte. Ltd., Lasseters Investments (NZ) Pte. Limited, Lasseters Interactive Gaming Pte. Ltd., Lasseters (NZ) Limited, Lasseters Corporation Limited, Lasseters ANZ Pty Ltd, Lasseters Valley Pty Ltd and Lasseters CLG Pty Ltd, which have a total negative working capital of approximately AUD3,352,000 (2011: AUD977,000), to enable them to continue to operate as going concerns and to meet their obligations as and when they fall due.

The Company has issued corporate guarantees to banks for banking facilities granted to a Malaysian subsidiary. These guarantees are financial guarantee contract as they require the Company to reimburse the banks if the subsidiary fails to make principal or interest payments when due in accordance with the terms of the facilities drawn. As at 30 June 2012, the total banking facilities granted to the subsidiary amounted to AUD5,188,000 (2011: AUD3,150,000) and the amount utilised by the subsidiary amounted to AUD3,171,000 (2011: AUD3,012,000). These financial guarantees have not been recognised in the financial statements of the Company as the requirements to reimburse are remote.

35. Segment reporting

Management has determined the operating segments based on the reports reviewed by the chief operating decision makers (Note 2.23).

Management considers the business from both a geographic and business segment perspective. Geographically, management manages and monitors the business in these primary geographic areas: Australia, New Zealand and Malaysia. All these locations are engaged in the casino, hotel, resort, health retreat and spas and property development.

The Group has three reportable segments being "Casino", "Hotel, Resort, Health Retreat and Spas" and "Property Development".

The Casino segment offers gaming facilities, accommodation, a convention centre, food and beverages outlets and bars.

The Hotel, Resort, Health Retreat and Spas segment offers accommodation, golf course, food and beverages and convention facilities, health retreat and spas programs.

The Property Development involves in investment, management and development.

The Group's reportable segments are strategic business units that are organised based on their function and targeted customer groups. They are managed separately because each business unit requires different skill sets and marketing strategies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

35. Segment reporting (Continued)

Services information

	Gaming AUD'000	Accommo- dation AUD'000	Food and beverages AUD'000	Health retreat and Spas AUD'000	Convention centre AUD'000	Others AUD'000	Consolidated AUD'000
2012							
Revenue from external customers	22,984	19,932	14,608	9,679	3,810	4,570	75,583
2011							
Revenue from external customers	24,087	21,122	14,502	11,461	4,478	4,863	80,513

Geographical information

Revenues from external customers

	Australia AUD'000	New Zealand AUD'000	Malaysia AUD'000	Other countries AUD'000	Consolidated AUD'000
2012					
Revenue from external customers	73,011	2,572	-	-	75,583
2011					
Revenue from external customers	77,787	2,587	-	139	80,513

The revenue information above is based on the location of the customer.

Location of non-current assets

	Australia AUD'000	New Zealand AUD'000	Malaysia AUD'000	Other countries AUD'000	Consolidated AUD'000
2012					
Non-current assets	211,270	1,515	112	-	212,897
2011					
Non-current assets	198,144	1,556	3,943	-	203,643

Non-current assets consist of property, plant and equipment, intangible assets, land held for property development and membership right.

36. Financial instruments, financial risk and capital risk management

The Group's activities expose it to financial risks (including credit risk, foreign currency risks, interest rate risks and liquidity risk) arising in the normal course of business. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The management is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management continually monitors the Group's financial risk management process to ensure that an appropriate balance between risk and control is achieved.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

36. Financial instruments, financial risk and capital risk management (Continued)

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. The Group and the Company do not hold or issue derivative financial instruments for trading purposes.

(a) Financial instruments

The following sets out the financial instruments at the end of financial year:

	Group		Company	
	2012 AUD'000	2011 AUD'000	2012 AUD'000	2011 AUD'000
Financial assets				
Trade and other receivables (excluding prepayments)	4,117	3,356	24,557	21,053
Cash and cash equivalents	1,311	1,906	89	33
Loans and receivables	5,428	5,262	24,646	21,086
Financial liabilities				
Trade and other payables	24,917	17,287	2,584	324
Bank borrowings - secured	110,311	98,326	-	-
Financial liabilities at amortised cost	135,228	115,613	2,584	324

(b) Credit risk

The Group and the Company has a credit policy in place and the exposure to credit risk is monitored on an on going basis. The Group and the Company do not require collateral in respect of financial assets. Cash is placed with banks and financial institutions which are regulated.

The Group and the Company have no significant concentration of credit risk except for amounts due from subsidiaries in the Company's statement of financial position. The maximum exposures to credit risk are represented by the carrying amount of the financial assets on the statement of financial position.

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

The age analysis of trade receivables of the Group past due but not impaired is as follows:

	Group	
	2012 AUD'000	2011 AUD'000
Past due 1 day to 3 months	541	1,238
Past due 3 to 6 months	566	360
Past due 6 to 12 months	1,079	487
Past due over 12 months	1,159	215
	3,345	2,300

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

36. Financial instruments, financial risk and capital risk management (Continued)

(c) Foreign currency risks

The Group and the Company incur foreign currency risk on transactions and balances that are denominated in currencies other than the entity's functional currency. The currencies giving rise to this risk are primarily Malaysian ringgit, New Zealand dollar and Singapore dollar. Exposure to foreign currency risk is monitored on an on going basis to ensure that the net exposure is at an acceptable level and hedging through currency forward exchange contracts is done where appropriate.

At the end of the financial year, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective entity's functional currency are disclosed in the respective notes to financial statements. The Group has not entered into any currency forward exchange contracts during the financial year.

Foreign currency sensitivity analysis

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of the Group and the Company. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the financial year end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they gave rise to an impact on the Group's loss.

If the relevant foreign currency weakens by 10% (2011: 10%) against the functional currency, the profit or loss of the Group will increase by as below. There is no impact to the equity of the Group.

Group	Profit or loss	
	2012 AUD'000	2011 AUD'000
Malaysian ringgit	356	311
New Zealand dollar	103	110
Singapore dollar	35	33
	494	454

If the relevant foreign currency strengthens by 10% (2011: 10%) against the functional currency, the profit or loss of the Group will decrease by as below. There is no impact to the equity of the Group.

Group	Profit or loss	
	2012 AUD'000	2011 AUD'000
Malaysian ringgit	(356)	(33)
New Zealand dollar	(103)	(311)
Singapore dollar	(35)	(110)
	(494)	(454)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

36. Financial instruments, financial risk and capital risk management (Continued)

(c) Foreign currency risks (Continued)

If the relevant foreign currency weakens by 10% (2011: 10%) against the functional currency, profit or loss of the Company will decrease by as below. There is no impact to the equity of the Company.

Company	Profit or loss	
	2012 AUD'000	2011 AUD'000
Singapore dollar	(5)	(1)
Malaysian ringgit	(39)	(26)
	(44)	(27)

If the relevant foreign currency strengthens by 10% (2011:10%) against the functional currency, the profit or loss of the Company will increase by as below. There is no impact to the equity of the Company.

Company	Profit or loss	
	2012 AUD'000	2011 AUD'000
Singapore dollar	5	1
Malaysian ringgit	39	26
	44	27

(d) Interest rate risks

The Group's and the Company's exposure to market risk for changes in interest rates relates primarily to fixed deposits, bank borrowings and finance lease obligations with financial institutions. The Group maintains an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and long and short term borrowings.

Interest rate sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rate risks for financial liabilities at the end of the financial year. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the financial year was outstanding for the whole year. The sensitivity analysis assumes an instantaneous 3% (2011: 3%) change in the interest rates from the end of the financial year, with all variables held constant.

If the interest rate increases/decreases by 3% (2011: 3%), the profit or loss of the Group, respectively, will decrease/increase by:

	Group	
	2012 AUD'000	2011 AUD'000
Bank overdraft	33	28
Bank borrowings	2,089	1,735
	2,122	1,763

The profit or loss of the Company is not affected by changes in interest rates because the Company has no interest bearing liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

36. Financial instruments, financial risk and capital risk management (Continued)

(e) Liquidity risks

The Group and the Company actively manage their operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of their overall prudent liquidity management, the Group and the Company maintain sufficient levels of cash and cash equivalents to meet their working capital requirements. Short-term funding is obtained from overdraft facilities from banks and finance leases from financial institutions.

The following table details the Group's remaining contractual maturity for its non-derivative financial instruments. The table has been drawn up based on undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group is expected to receive or pay. The table includes both interest and principal cash flows. As at 30 June 2012, the Group has no derivative financial liabilities.

	Effective interest rates	Less than 1 year AUD'000	1 to 2 years AUD'000	2 to 4 years AUD'000	Total AUD'000
Group					
Financial liabilities					
2012					
Trade and other payables	-	24,928	193	-	25,121
Bank borrowings	5.68% - 8.13%	16,314	96,865	2,188	115,367
Bank overdraft	6.47% - 10.52%	1,092	-	-	1,092
Finance lease payables	3.56% - 11.50%	752	1,015	-	1,767
		43,086	98,073	2,188	143,347
2011					
Trade and other payables	-	17,316	190	-	17,506
Bank borrowings	5.62% - 8.10%	13,428	91,121	2,135	106,684
Bank overdraft	7.80% - 10.52%	936	-	-	936
Finance lease payables	3.56% - 11.50%	968	1,416	-	2,384
		32,648	92,727	2,135	127,510
Company					
Financial liabilities					
2012					
Trade and other payables	-	2,584	-	-	2,584
2011					
Trade and other payables	-	324	-	-	324

The effective interest rates and repayment terms of the bank loans, overdrafts and finance leases are disclosed in Notes 24 and 25 to the financial statements.

The financial assets disclosed on the statements of financial position are non-interest bearing and receivable within 12 months from the end of the financial year, except for the cash and cash equivalents which bear interests as disclosed in Note 20 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2012

36. Financial instruments, financial risk and capital risk management (Continued)

(f) Capital risk management policies and objectives

The Group and the Company manage their capital to ensure that the Group and the Company are able to continue as a going concern and maintains an optimal capital structure so as to maximise shareholders' values.

The management monitors capital based on gearing ratio. The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as interest bearing liabilities less cash and cash equivalents. Total capital is calculated as equity plus net debt.

Management constantly reviews the capital structure to ensure the Group and the Company are able to service any debt obligations (include principal repayment and interests) based on its operating cash flows. The Group's overall strategy remains unchanged from 2011.

	Group	
	2012 AUD'000	2011 AUD'000
Net debt	110,584	98,410
Total equity	60,139	65,389
Total capital	170,723	163,799
Gearing ratio	65%	60%

The Group and the Company are in compliance with all externally imposed capital requirements for the financial years ended 30 June 2012 and 2011 except as confirmed in the variation deed from a bank on 29 June 2012, no compliance testing will be tested until 31 December 2012.

37. Fair value of financial assets and financial liabilities

The carrying amounts of the financial assets and liabilities in the financial statements approximate their fair values due to the relative short-term maturity of these financial instruments. The fair values of non-current liabilities in relation to bank borrowings and finance lease payables are disclosed in Notes 24 and 25 to the financial statements.

38. Events subsequent to the reporting date

Subsequent to the financial year end, the Group engaged a property marketing firm, Jones Lang Lasalle (NSW) Pty. Limited, to market the sale of Cypress Lakes Resort, The Golden Door retreats and Holiday Inn on Flinders, Melbourne.

STATISTICS OF SHAREHOLDINGS

AS AT 3 SEPTEMBER 2012

Issued and fully paid-up capital	:	SGD52,414,550.78
Number of ordinary shares in issue	:	253,017,521
Class of shares	:	Ordinary share
Voting rights	:	One vote per share
Number of Treasury Shares held	:	3,548,000
Number of ordinary shares excluding Treasury Shares	:	249,469,521
Percentage of Treasury Shares	:	1.42% ⁽¹⁾

Note :

⁽¹⁾ Calculated based on 249,469,521 voting shares as at 3 September 2012.

VOTING RIGHTS

Shareholder's voting rights are set out in Article 76 of the Company's Articles of Association.

On a show of hands, each Member entitled to vote may vote in person or by proxy or by attorney or in the case of a corporation by a representative who shall have one vote and upon a poll, every Member present in person or by proxy shall have one vote for every share which he holds or represents.

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Rule 723 of Section B : Rules of Catalist of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") requires that at least 10% of the equity securities (excluding preference shares and convertible equity securities) of a listed company in a class that is listed are at all times held by the public.

Based on the information provided and to the best knowledge of the Directors, approximately 31% of the issued ordinary shares of the Company are held in the hands of the public as at 3 September 2012 and therefore Rule 723 is complied with.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS		NO. OF SHARES	
		%		%
1 – 999	1	0.22	50	0.00
1,000 – 10,000	244	53.51	1,386,000	0.55
10,001 – 1,000,000	186	40.79	15,586,950	6.25
1,000,001 and above	25	5.48	232,496,521	93.20
TOTAL	456	100.00	249,469,521	100.00

STATISTICS OF SHAREHOLDINGS

AS AT 3 SEPTEMBER 2012

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1.	Tan Yet Meng	36,230,670	14.52
2.	Jaya J B Tan	24,884,270	9.97
3.	CIMB Securities (Singapore) Pte Ltd	24,453,000	9.80
4.	Mayban Nominees (S) Pte Ltd	23,900,000	9.58
5.	Raffles Nominees (Pte) Ltd	14,010,000	5.62
6.	Hong Leong Finance Nominees Pte Ltd	12,776,000	5.12
7.	Chan Kaixuan	12,000,000	4.81
8.	Associated Leisure International Pte Ltd	10,000,000	4.01
9.	SBS Nominees Pte Ltd	10,000,000	4.01
10.	Kamal Y P Tan	9,558,006	3.83
11.	Tan San Chuan	9,057,668	3.63
12.	Tan San Lin	9,057,668	3.63
13.	Lim & Tan Securities Pte Ltd	6,704,000	2.69
14.	HL Bank Nominees (S) Pte Ltd	6,253,000	2.51
15.	Tan San Ming	4,585,000	1.84
16.	Lee Wan Tang	3,000,000	1.20
17.	Teh Cheng Chuan	2,404,000	0.96
18.	UOB Kay Hian Pte Ltd	2,182,000	0.87
19.	Loh Kah Wai	2,100,000	0.84
20.	Koh Pang Kin	2,025,000	0.81
		225,180,282	90.25

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Register of Substantial Shareholders)

NAME OF SUBSTANTIAL SHAREHOLDERS	DIRECT INTEREST		DEEMED INTEREST	
	NO. OF SHARES	%	NO. OF SHARES	%
Dato' Kamal Y P Tan	49,558,006	19.87	-	-
Dato' Jaya J B Tan	47,184,270	18.91	-	-
Tan Yet Meng	36,230,670	14.52	-	-
Goi Seng Hui	14,000,000	5.61	-	-

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Ninth Annual General Meeting of Lasseters International Holdings Limited will be held at Orchid Room, Basement One, Holiday Inn Singapore Orchard City Centre, 11 Cavenagh Road, Singapore 229616 on Friday, 19 October 2012 at 10.00 a.m. to transact the following business:-

As Ordinary Business

1. To receive and adopt the Directors' Report and Audited Financial Statements for the year ended 30 June 2012 and the Auditors' Report thereon. **(Resolution 1)**
2. To re-elect the following Directors who are retiring pursuant to the Company's Articles of Association and have offered themselves for re-election:-
 - (i) Hon. Frederick Arthur Finch AM (retiring pursuant to Article 106) **(Resolution 2)**
 - (ii) Dato' Jaya J B Tan (retiring pursuant to Article 102 and Article 106) **(Resolution 3)**

Notes:

Hon. Frederick Arthur Finch AM will, upon re-election as a Director of the Company, remain as a member of the Audit Committee, the Nominating Committee and the Remuneration Committee. He will be considered independent for the purposes of Rule 704(7) of Section B : Rules of Catalist of the Listing Manual of the Singapore Exchange Securities Trading Limited (SGX-ST).

3. To approve the payment of Directors' fees of SGD160,000 for the financial year ended 30 June 2012 (FY2011 : SGD172,384). **(Resolution 4)**
4. To re-appoint Messrs BDO LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 5)**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

As Special Business

To consider and, if thought fit, to pass the following as Ordinary Resolutions, with or without modifications:-

6. **General Mandate To Authorize Directors To Allot And Issue Shares And Convertible Securities** **(Resolution 6)**

"THAT pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of Section B : Rules of Catalist of the Listing Manual ("Catalist Rules") of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to:

- (a) issue shares in the capital of the Company whether by way of rights, bonus or otherwise (including shares as may be issued pursuant to any Instrument (as defined below) made or granted by the Directors while the ordinary resolution is in force notwithstanding that the authority conferred by the ordinary resolution may have ceased to be in force at the time of issue of such shares); and/or
- (b) make or grant offers agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions for such purposes as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares and convertible securities to be issued pursuant to such authority:-

- (i) does not exceed 100% of the total number of issued shares in the capital of the Company, excluding treasury shares, (as calculated in accordance with subparagraph (ii) below) of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to shareholders of the Company does not exceed 50% of the total number of issued shares in the capital of the Company, excluding treasury shares, (as calculated in accordance with subparagraph (ii) below);

NOTICE OF ANNUAL GENERAL MEETING

- (ii) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, the percentage of issued share capital shall be based on the issued share capital of the Company at the time of passing of the ordinary resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of shares awards which are outstanding or subsisting at the time of passing this Resolution; and
 - (b) any subsequent bonus issue, consolidation or subdivision of shares;
- (iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalyst Rules for the time being in force (unless such compliance has been waived by the SGX-ST); and
- (iv) (unless revoked or varied by the Company in General Meeting), the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." [See Explanatory Note (a)]

7. Authority To Issue Shares Under Lasseters Employee Share Option Scheme (Resolution 7)

"THAT pursuant to Section 161 of the Companies Act, Cap 50, the Directors of the Company be and are hereby authorized and empowered to offer and grant options in accordance with the Lasseters Employee Share Option Scheme ("the Scheme") and to allot and issue shares in the capital of the Company to all the holders of options granted by the Company whether granted during the subsistence of this authority or otherwise, under the Scheme upon the exercise of such options and in accordance with the terms and conditions of the Scheme, provided always that the aggregate number of additional ordinary shares to be allotted and issued pursuant to the Scheme shall not exceed 15% of the total number of issued shares excluding treasury shares from time to time." [See Explanatory Note (b)]

8. Renewal Of Share Buy-back Mandate (Resolution 8)

"THAT:

- (a) for the purposes of the Companies Act (Cap. 50), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire the ordinary shares in the capital of the Company not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of market purchases (each a "Market Purchase") on SGX-ST or off-market purchases ("Off-Market Purchase") (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) (the "Share Buy-back Mandate") be and is hereby approved;
- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buy-back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:
 - (i) the date on which the next Annual General Meeting of the Company is held or required by law to be held;
 - (ii) the date on which the share purchases are carried out to the full extent mandated; or
 - (iii) the date on which the authority contained in the Share Buy-back Mandate is varied or revoked;
- (c) in this Resolution:

"Prescribed Limit" means 10% of the issued ordinary share capital of the Company as at the date of passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares that may be held by the Company from time to time);

NOTICE OF ANNUAL GENERAL MEETING

"Relevant Period" means the period commencing from the date on which the last Annual General Meeting of the Company was held and expiring on the date the next Annual General Meeting of the Company is held or is required by law to be held, whichever is the earlier, after the date of this Resolution; and

"Maximum Price" in relation to a fully-paid ordinary share in the capital of the Company (a "Share") to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding 105% of the Average Closing Price in the case of a Market Purchase and not exceeding 120% of the Average Closing Price in the case of an Off-Market Purchase.

where:

"Average Closing Price" means the average of the closing market prices of a Share over the last five market days, on which the Shares are transacted on the SGX-ST, immediately preceding the date of the Market Purchase by the Company, and deemed to be adjusted in accordance with the rules of the SGX-ST, for any corporate action that occurs after the relevant five-day period;

"Day of the Making of the Offer" means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share; and

- (d) any of the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as he may consider expedient or necessary to give effect to the transactions contemplated by this Resolution." [See Explanatory Note (c)]

BY ORDER OF THE BOARD

S SURENTHIRARAJ
KOK MOR KEAT
Company Secretaries

Singapore
2 October 2012

Explanatory Notes on Special Business to be transacted

- (a) **Ordinary Resolution 6**, if passed, will empower the Directors of the Company to issue shares in the capital of the Company up to an amount not exceeding in aggregate 100% of the total number of issued shares in the capital of the Company, excluding treasury shares, at the time of passing the resolution, of which the aggregate number of shares to be issued other on a pro-rata basis to shareholders of the Company does not exceed 50% of the total number of issued shares in the capital of the Company, excluding treasury shares.
- (b) **Ordinary Resolution 7**, if passed, will empower the Directors of the Company, from the date of the above Meeting until the next Annual General Meeting, to offer and grant options under the Lasseters Employee Share Option Scheme ("the Scheme") and to allot and issue shares in the Company of up to a number not exceeding in total 15% of the total number of issued shares, excluding treasury shares, of the Company from time to time pursuant to the exercise of the options under the Scheme.
- (c) **Ordinary Resolution 8**, if passed, will empower the Directors from the date of the above Meeting until the next Annual General Meeting to repurchase ordinary issued shares of the Company by way of market purchases or off-market purchases of up to 10% of the total number of issued shares (excluding treasury shares) in the capital of the Company at the Maximum Price. Information relating to this proposed Resolution are set out in the Circular attached.

NOTES:-

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company and where there are two proxies, the number of shares to be represented by each proxy must be stated.
2. If the appointor is a corporation, the instrument appointing a proxy must be executed under seal or the hand of its duly authorized officer or attorney.
3. The instrument appointing a proxy must be deposited at the Share Registrar's Office at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623 not less than forty-eight (48) hours before the time for holding the Annual General Meeting.

LASSETERS INTERNATIONAL HOLDINGS LIMITEDCompany Registration No. 200402223M
(Incorporated in the Republic of Singapore)**PROXY FORM**
ANNUAL GENERAL MEETING**IMPORTANT**

- For investors who have used their CPF monies to buy shares of Lasseters International Holdings Limited, the Annual Report 2012 is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
- This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
- CPF Investors who wish to vote should contact their CPF Approved Nominee.

Number of shares held

I/We, _____

of _____

being a member/members of LASSETERS INTERNATIONAL HOLDINGS LIMITED (the "Company"), hereby appoint

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings (%)

and / or (delete as appropriate)

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings (%)

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary to demand a poll, at the Annual General Meeting ("AGM") of the Company to be held on Friday, 19 October 2012 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any item arising not summarised below, the proxy/proxies will vote or abstain from voting at his/their discretion. If no person is named in the above boxes, the Chairman of the AGM shall be my/our proxy to vote, for or against the Resolutions to be proposed at the AGM as indicated hereunder for me/us and on my/our behalf at the AGM and at any adjournment thereof.

No.	Resolutions Relating To:	To be used on a show of hands		To be used in the Event of a Poll	
		For*	Against*	No. of Votes For**	No. of Votes Against**
1	Adoption of Directors' Reports and Financial Statements for the year ended 30 June 2012.				
2	Re-election of Hon. Frederick Arthur Finch AM as Director.				
3	Re-election of Dato' Jaya J B Tan as Director.				
4	Approval of payment of Directors' fees.				
5	Re-appointment of Messrs BDO LLP as auditors and to authorise the Directors to fix their remuneration.				
6	Authority to allot and issue new shares.				
7	Authority to allot and issue shares under Lasseters Employee Share Option Scheme.				
8	Renewal of Share Buy-back Mandate				

* Please indicate your vote "For" or "Against" with a "X" within the box provided.

** If you wish to exercise all your votes "For" or "Against", please indicate with a "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2012

Signature(s) of Member(s) or
Common Seal of Corporate Shareholder

Total Number of Shares held	
CDP Register	
Register of Members	

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes :

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote on his behalf. Such proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be deposited at the Share Registrar's office at 50 Raffles Place, Singapore Land Tower #32-01, Singapore 048623 not less than forty-eight (48) hours before the time appointed for the Annual General Meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its Seal or under the hand of an officer or attorney duly authorised.
6. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. A corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Cap.50.

General:

The Company shall be entitled to reject this instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose Shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Lasseters International Holdings Limited
(200402223M)

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Singapore 068807

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