



# Annual Report

# 2019



# Celebrating 50 years of Skyline Enterprises

Skyline has come a long way since its humble beginnings in 1966. A group of pioneering individuals rose up to the challenge, paving the way to create the signature attraction that Skyline has become today. Over the decades, there have been significant milestones that shape not only Skyline itself, but the locations that Skyline Enterprises is immersed in.

2016 marks the 50th birthday of Skyline's inception. Let's take a look back over the past 50 years and meet some of those people and remember some of those milestones...







# 1966

A **look** into the *past*

→ The Chalet at Bobs Peak. Completed and opened for patrons in 1964.

## ANNUAL GONDOLA VISITORS

*Skyline from the start*





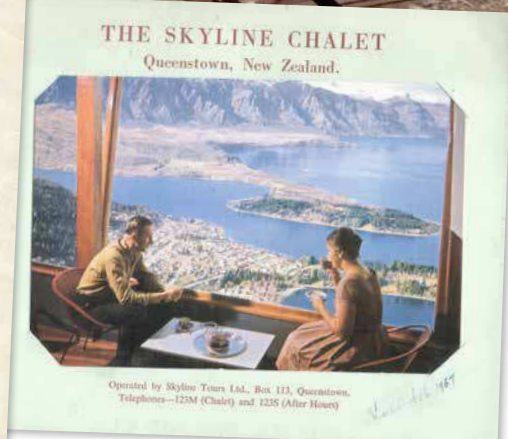


# A rich and pioneering history

1966. A time in New Zealand where innovation was all around. The first episode of the iconic 'Country Calendar' was screened, President Lyndon Johnson visited our shores being the first US President in New Zealand and some passionate individuals were making waves down in Queenstown. It wasn't all easy going — hauling gear up the steep terrain, losing a half-tonne tower and a compressor down the hill and dealing with all of the weather elements that the Central Lakes area could throw at them in the process.

Nothing could deter their efforts, and in 1966, Skyline Enterprises was established. With the completion of the Skyline Chalet and restaurant at Bobs Peak, the idea of an aerial cableway began to create an easy way for people to access the mountain top attraction. By 1968, in combination with the newly installed Gondola, the Chalet started hosting over 80,000 visitors each year.

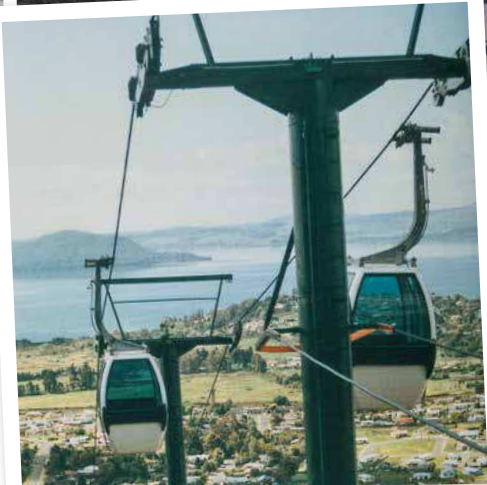
➤ Skyline Alpine Air.  
Another creative marketing strategy, this souvenir air was sold in bottles.





# 1966–2016

## Through the *decades*

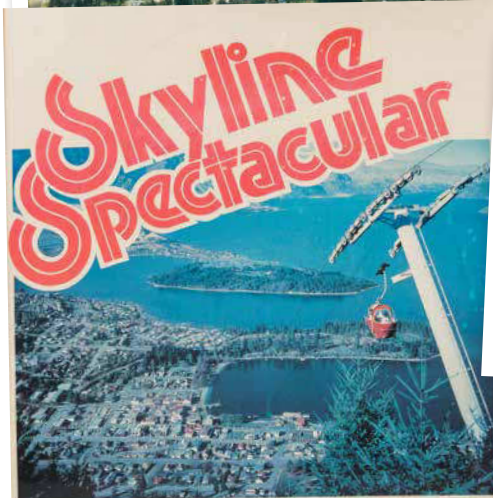
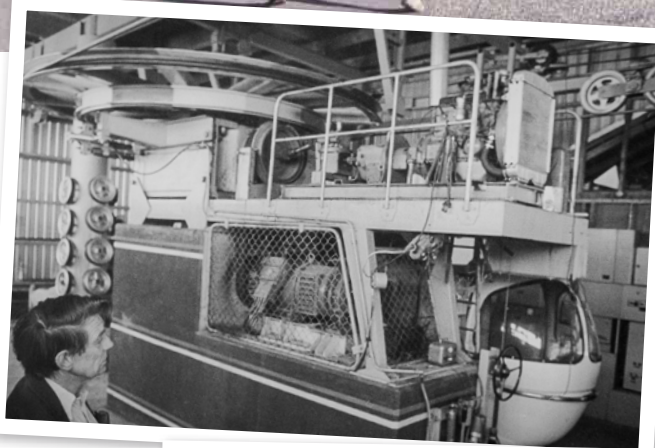


↖ Entertainment in the early days from the Skyliners.

← Opening day of the Rotorua Gondola in 1985.

→ Hylton Hensman at the terminal of the Queenstown Gondola in 1967

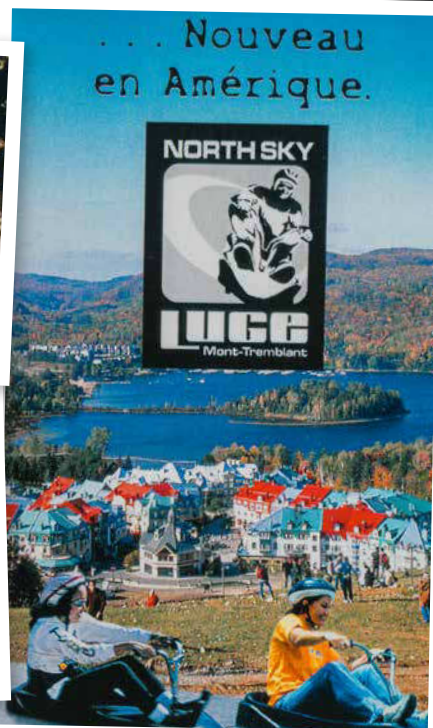
↓ Blue Peaks Lodge in the 1970s complete with colour television



take a trip to the top!



QUEENSTOWN, NEW ZEALAND.





# The people, past and present

Introducing some of the individuals who helped shape Skyline Enterprises into what it is today. Enjoy a brief reflection of some of their most memorable events over the past decades.



## Barry Thomas

Some significant events in my 35 years include the opening of Skyline Skyrides Rotorua in 1985, being our first experience with the Luge business and also operating outside Otago, South Island. Reshaping Skyline Queenstown in 1987 when we replaced the original Gondola with the new Doppelmayr Gondola, and also in 1993/94 obtaining the first casino license and establishing in Christchurch as the first ever casino in New Zealand.



## Ken Matthews

Taking the Luge offshore was a natural progression for the Company following the success of the attraction in New Zealand. Our first venture at Mt Tremblant in Quebec opened in 2003 and was profitable in its first operating season. This success encouraged further investment and in due course further facilities were established in both Singapore and Calgary. A new Luge in South Korea is scheduled for completion later this year.



↑ Barry Thomas and Rotorua Mayor, John Keaney on the opening day of the Rotorua Luge in 1985.

↓ Prime Minister Jim Bolger, along with Paul Holmes, Jude Dobson, Sir Richard Hadlee and Barry Thomas at the Christchurch Casino opening in 1993.



## Phillip Hensman

The really significant step for Skyline was the purchase of our Rotorua site by Hynton Hensman. This in combination with the creation of the idea of the Luge and the consequent development of it as a great amusement ride by the company changed Skyline from its beginnings in scenic viewing and dining. Rotorua was the test bed which led Skyline offshore to Sentosa and other properties. Skyline Luge is a point of difference which holds great potential for the future.



## Mark Quickfall

I have been fortunate to be connected with Skyline for the past 37 years; in fact my first job in tourism was with Skyline, employed as Bar Manager in 1979. Now as Chairman of Skyline I am proud to reflect on an organisation that has grown from strength to strength over the past 50 years. There are exciting times ahead for Skyline; it is now our responsibility to continue developing of our diverse range of businesses and delivering world class experiences to our guests over the next 50 years.



# Milestones at a glance

**1967**

Opening of the Queenstown Gondola

**1964**

Opening of the Skyline Chalet on Bobs Peak

**1985**

Rotorua Luge Opened

**1987**

Terminal and Gondola Expansion Opened

**1993**

Establishment of Christchurch Casino (first Casino in New Zealand)

**1997**

Queenstown Luge Opened

**2004**

Luge opened in Mt Tremblant, Quebec and Sentosa Island

**2011**

Acquisition of Totally Tourism

**2012**

Acquisition of remaining 50% of Christchurch Casino

**2016**

Skyline turns 50!

**50 Years of Skyline**



## Directory

### BOARD OF DIRECTORS:

Mark Quickfall (Chairman)  
Phillip J Hensman (Retired 19 September 2015)  
Grant H Hensman  
Richard B Thomas  
Jan N Hunt  
Donald N Jackson (Appointed 15 April 2015)

### OPERATING SUBSIDIARIES:

Accommodation & Booking Agents (Queenstown) Limited  
Totally Tourism Limited  
The Helicopter Line Limited  
Leisure Lodge Motor Inn Limited  
Glacier Helicopters Limited  
Skyline Skyrides Limited  
Mitre Peak Cruises Limited  
Skyline Tours Limited  
Milford Sound Scenic Flights Limited  
North Sky Luge (Tremblant) Limited  
Air Fiordland Limited  
O'Connells Pavilion Limited  
Wanaka Flightseeing (2006) Limited  
Skyline Investments Limited  
Christchurch Casinos Limited  
Skyline Properties Limited  
North Sky Luge (Calgary) Limited  
Sentosa Luge Company Pte Limited  
Milford Sound Flights Limited

### NON OPERATING SUBSIDIARIES:

Queenstown Tourist Company Limited  
North Sky Luge Limited  
Fairy Springs Holdings Limited  
North Sky Luge No 2 Limited  
Glacier Helicopters Holdings Limited  
Milford Sound Cruises Limited  
Glentanner Heliski Limited  
Mount Cook Heli-ski Limited  
Tongyeong Luge Company Limited

### CHARTERED ACCOUNTANTS:

McCulloch & Partners  
Level 2, 11-17 Church Street, Queenstown

### AUDITORS:

Crowe Horwath New Zealand Audit Partnership

### SHARE REGISTRAR:

Computershare Investor Services Limited  
Private Bag 92119, Auckland 1142  
Enquiries: 0064 9 488 8777  
www.computershare.co.nz/investor centre

### SHARE TRADING & PRICE INFORMATION

Efficient Market Services Limited  
P O Box 3156, Wellington 6140  
www.unlisted.co.nz

### BANKERS:

Bank of New Zealand

### SOLICITORS:

Chapman Tripp, Christchurch  
Macalister Todd Phillips, Queenstown

### REGISTERED OFFICE

McCulloch & Partners  
Level 2, 11-17 Church Street, Queenstown

### NOTICE OF MEETING

***The Directors of Skyline Enterprises Limited request the pleasure of your attendance at the 49th Annual General Meeting of the Company to be held at the Skyline Restaurant, Queenstown, on 24 September 2016, at 6.00pm and afterwards as their guest for cocktails and hors d'oeuvres.***

### ORDINARY BUSINESS

1. To receive, consider and adopt the Report of the Directors and Audited Statement of Accounts for the year ended 31 March 2016.
2. To consider the Directors' resolution to pay a dividend of 55 cents. The dividend will be paid on 30th September 2016.
3. The Election of Directors. In accordance with the Constitution Mr Grant Hensman and Mr Richard Thomas retire from the Board by rotation and being eligible, offer themselves for re-election.
4. Directors' Fees. To approve Directors' Fees of Five Hundred Thousand Dollars (\$500,000) per annum from 1st April 2016.
5. To record the reappointment of the Auditors Messrs Crowe Horwath New Zealand Audit Partnership and to authorise the Board to fix their remuneration for the ensuing year.
6. To transact any other business that may properly be transacted at the meeting.

### BY ORDER OF THE BOARD

M J Harris for Secretaries  
Queenstown  
8 July 2016

### PROXIES

All shareholders of the Company are entitled to attend and vote at the meeting and are entitled to appoint a proxy to attend and vote for them instead. A proxy need not be a member of the Company. A proxy form is enclosed and, if used, must be lodged at the Registered Office of the Company not less than 48 hours before the time for holding the meeting (i.e. before 6.00pm on Thursday 22nd September 2016).



# Directors' Report

**YOUR DIRECTORS HAVE PLEASURE IN SUBMITTING THEIR REPORT TOGETHER WITH THE FINANCIAL ACCOUNTS OF THE COMPANY FOR THE YEAR ENDED 31 MARCH 2016.**

## RESULTS AND DISTRIBUTIONS

Operating surplus attributable to the Group for the financial year	<u>\$52,511,173</u>
From this will be deducted –	
Your Directors' recommendation of the payment of a dividend of 55 cents	<u>\$18,775,559</u>
Increase in Group retained earnings to be carried forward to reserves of	<u>\$33,735,614</u>

## DIVIDEND

Having considered the solvency of the Parent Company and Group, the Directors recommend that a dividend of 55 cents per share (imputed at 28%) be paid on the capital of 34,137,379 shares on 30th September, 2016 to Shareholders on the register at 5.00pm on 19th September 2016. A solvency certificate has been completed in support of the dividend declaration.

When determining the dividend payment to shareholders, the Directors review the Underlying Profit of the Group. The Underlying Profit excludes all revaluations, goodwill written off, earthquake related insurance proceeds, amortisation of intangibles and adjustment to the actual income tax expense, to reflect the underlying trading performance of the Group. The underlying profit has been calculated as:

	2016	2015	2014
'Directors' Profit Before Tax	60,408,719	50,327,390	37,694,280
Less Adjusted Income Tax Expense	<u>-16,821,421</u>	<u>-14,061,904</u>	<u>-11,367,558</u>
'Directors' Profit for the Year	43,587,298	36,265,486	26,326,722
Plus Share Profit Equity Accounted Investees	554,565	455,280	510,048
'Directors' Profit Attributable to Equity Holders of The Company	<u>\$44,141,863</u>	<u>\$36,720,766</u>	<u>\$26,836,770</u>

## RECONCILIATION TO FINANCIAL STATEMENTS

	66,814,609	63,353,245	52,847,515
<b>Profit before tax as per Financial Statements</b>			
Plus Amortisation of intangible assets	4,217,168	4,217,168	4,217,168
Less Investment Property Revaluation	-10,114,319	-16,709,649	-7,881,456
Less Depreciation Investment Property	-508,739	-533,374	-554,996
Less Insurance Proceeds	0	0	-10,933,951
'Directors' Profit Before Tax	60,408,719	50,327,390	37,694,280
Less adjusted income tax	<u>-16,821,421</u>	<u>-14,061,904</u>	<u>-11,367,558</u>
	43,587,298	36,265,486	26,236,722
Plus Share Profit Equity Accounted Investees	554,565	455,280	510,048
'Directors' Profit Attributable to Equity Holders of The Company	<u>\$44,141,863</u>	<u>\$36,720,766</u>	<u>\$26,836,770</u>



## DIRECTORS

Mr Grant Hensman and Mr Richard Thomas retire by rotation and, being eligible, offer themselves for re-election.

## AUDITORS

The Company's Auditors, Crowe Horwath New Zealand Audit Partnership, are automatically reappointed in terms of Section 207T of the Companies Act 1993.

## SHARE CAPITAL

The issued capital as at 31 March 2016 was 34,137,379 ordinary shares

## COMPANY'S STATE OF AFFAIRS AND SIGNIFICANT CHANGES

The Directors consider the state of the Company's affairs to be satisfactory.

Details of the year under review, including any material changes in the nature of the business of the Company or any of its subsidiaries or future prospects, are included in the Chairman's Report and the Financial Statements of the Company published herewith.

## ACTIVITIES

The principal activities of the Company and its subsidiaries remained unchanged during the period. Associated company Dunedin Casinos Limited operates predominantly in the Casino Industry and has been equity accounted. The Station Limited, being an associated company of Totally Tourism Limited, operates predominantly in the Tourism Industry. These companies have been equity accounted.

This Annual Report has been prepared in accordance with Section 211 of the Companies Act 1993 and is signed on behalf of the Board by:



**M Quickfall**

Director



**D N Jackson**

Director

Dated this 8 July 2016



# Chairman's Report

**Celebrating 50 years in business this year, all involved in Skyline over this period of time should be very proud of the company they have helped shape. The Company founders may never have imagined Skyline would grow into such a diverse enterprise!**

It is particularly pleasing that in the 50th year Skyline is at a very exciting stage of the Company's evolution. Not only is trading positive reflecting the very strong growth in tourism, the Group's reinvestment and new initiatives are providing strong returns. Looking forward, some exciting projects are underway or planned; Skyline Rotorua refurbishments and new product developments, Skyline Luge Tongyeong development, Marine Parade build, The Helicopter Line and Milford Sound Flights fleet upgrades, Skyline IT and systems upgrades, Skyline Luge Sentosa second chairlift and track extensions, Skyline Queenstown Gondola and chairlift replacements and upgrades, O'Connell's Pavilion planned refurbishment plus pending offshore Luge developments.

## DIRECTORS

The year prior changes took place with Board Directors, mainly due to retirements. Since then Boards have remained unchanged. With increased activity across the Group and new projects, I wish to acknowledge the increased input from Directors, management and staff.

## CHRISTCHURCH CASINO

Trading continues to be consistent with the past few years. Accommodation capacity and other key projects in the city are slowly progressing with the recent positive announcements regarding the new Convention Centre and hotel builds. The potential development of hotel accommodation adjacent to the Casino by a third party on Casino-owned land is advancing. The Casino remains focused on new marketing initiatives; refining our food & beverage offerings and improvements to enhance the visitor entertainment experience.

## DIVIDEND

It is the Directors' recommendation that a dividend of 50c per share (42c) be paid to shareholders, requiring \$17.0m (\$14.3m).

In celebration of Skyline Enterprises 50 years in business, the directors recommend a one-off bonus dividend of 5c requiring \$1.7m.

As noted in the Skyline Preliminary Announcement, Skyline continues to deliver on the Company's long term growth strategy. Whilst investor demands in the financial markets for increased dividends is understandable, retaining funds is important to Skyline. This reasoning allows Skyline to meet our reinvestment and development strategies, take advantage of potential acquisitions and manage any unexpected downturn in our industry sectors.

## FORWARD REVIEW

Outside cyclical corrections or unexpected external shocks, global tourism is forecast to thrive. After 50 years in business Skyline has never been in a stronger position to benefit.

On behalf of the Board, I thank all our shareholders, management, staff, business partners and guests for their support over the past 50 years.



**M Quickfall**  
Chairman





➤ The Chalet at Bobs Peak in the Winter of 1965 looking across to Kelvin Heights and The Remarkables.



# CEO's Report

## SKYLINE ANNUAL REPORT YEAR TO MARCH 2016

At an operational level the Skyline Group of companies experienced a second consecutive year of record trading results. This was most evident in our New Zealand businesses. It can be attributed to demand with both increasing international visitation and a relatively strong domestic economy. The group also reaped the rewards from on-going investment and a management focus on getting the best from every aspect of our business whether it be marketing, channel management or optimising guest flow through our business operations.

## SKYLINE QUEENSTOWN

The year saw a further increase in visitation from the already very high levels of the previous year. This resulted in record trading levels across all departments and periods of demand which exceeded our capacity in some areas, notably Dining and Luge. Management focused on managing this high demand reducing any negative impact on our guest experience while at the same time getting the best return for the company. The results were admirable with improved queue times and throughput achieved. The ability to manage this balance is reducing, therefore plans to extend and upgrade the property have become more urgent. To this end, we recently publicly announced plans to replace the current 4 seat Gondola system with a 10 seat version which will necessitate the construction of a new bottom terminal. At top terminal we are proposing to extend the complex to provide required staff and management offices on the bottom level and doubling the restaurant size. On the top level, where the new Gondola will arrive, the Market Kitchen, function and conference facilities will be extended whilst the viewing areas and decks will wrap around the eastern and northern sides of the complex. We also propose to install a four seat Luge chairlift replacing the current two seater. This project is estimated to cost around \$60 million and subject to consenting is scheduled for completion by Winter 2018.

## SKYLINE ROTORUA

After several years of upgrades and the introduction of new products and services, Skyline Rotorua has spent the year reviewing and focusing on the delivery of its extensive world-class offering. The quality has been acknowledged by our growing customer numbers who have spent more money across the range. Independently the business has been recognised and rewarded with multiple awards including the Westpac Business Award and the Supreme Tourism award from the Tourism Industry Association. In the year Skyline Rotorua celebrated 30 years of operation, it is heartening that it not only remains appealing and relevant but also holds a preeminent place in New Zealand Tourism.

## INTERNATIONAL LUGE

The search for new international Luge sites was bolstered during the year with the creation of a new role of General Manager International Luge Development. We currently have a number of very attractive prospective sites under investigation in Korea and China which hopefully we will be in a position to confirm in the near future.

## SKYLINE LUGE SENTOSA

Our largest international business continues to trade well against a subdued Singaporean and challenged international economic backdrop. We have been experiencing capacity constraint at peak times with long queue times leading to a decline in the sale of multiple rides. In response we have embarked on a project to install a second chairlift. A condition precedent was the extension of our lease with Sentosa Development Corporation, negotiations resulted in an extension to 2030. A contract has been signed to procure a four seat fixed grip lift from Doppelmayr with completion scheduled for May 2017.

## SKYLINE LUGE TREMBLANT

After 15 years of operation this business still manages to deliver growth in ride numbers and through refined pricing strategies increases in revenue per rider.

## SKYLINE LUGE CALGARY

Our second full year of operation saw steady growth in ride numbers. The challenge and opportunity for this seasonal business is to raise awareness and profile in a city of over one million inhabitants. We have every confidence the management team will succeed.



### SKYLINE LUGE TONGYEONG

After the drawn out consenting process was completed, the year saw us move to tendering and then commencement of construction in November. Good progress has been made, consistent with our project plan, which timetables opening in November 2016. Our management team has been assembled and business planning is under way preparatory to opening. As we have spent more time on the ground in Tongyeong, our confidence in the future success of this new business has increased.

### BLUE PEAKS

Our Queenstown accommodation business has experienced record occupancy levels over the last year. The management team and staff have responded well to the challenges this brings and maintained a quality guest experience.

### MERCURE LEISURE LODGE

The property continues to trade in line with the local accommodation sector which has benefited from the rising visitor tide. The Dunedin market has also seen new supply arrive. For Leisure Lodge, this means maintaining standards and reinvesting in the property to remain competitive.

### SKYLINE PROPERTIES

Demand for retail space remains very strong with all our properties fully let. This demand has been reflected in rental rates with renewals seeing significant increases as we play catch-up from rents set up to three years ago. These rent increases have been directly reflected in the increase in the valuation of the portfolio. Our new Marine Parade building is scheduled for completion in September 2016 and is fully tenanted with Eichardts Hotel leasing space for a restaurant on the ground floor, two suites and an office on the first floor and apartment on the top floor. The balance of the ground floor tenants are Louis Vuitton and World whilst on the first floor there are three office tenants. The road at the front of the building is being replaced with a shared use, fully paved space which will further enhance the unique lakefront position.

### TOTALLY TOURISM

This group of businesses has also benefited from the positive trading environment. The Helicopter Line carried a record 72,000 passengers. During the year, we acquired the remaining 50% of Milford Sound Flights from Real Journeys and entered into a five year supply agreement with them. We have also continued with the aircraft fleet upgrade program. The environment in Milford Sound remains challenging due to competitive pressure however increased visitation is supportive and Mitre Peak improved its performance. Harris Mountain Heli Ski traded well last winter whilst Queenstown Combos and Challenge Rafting's performances were steady.

### THE NEXT 12 MONTHS

The group has and continues to invest in its people, products and infrastructure to maintain and enhance our competitive position. A particular focus is information technology where we are carrying out a full refresh of our hardware and software and projects to implement new finance, point of sale and maintenance systems.

Absent any unforeseen shocks to our or the global economy the drivers which have given rise to the positive trading environment remain in place and we expect to see strong visitor numbers continue.

Against this very positive backdrop, there are still areas which are challenging and it is vital we continue to keep a tight focus on costs and maintaining and enhancing our competitive position. We cannot afford to be complacent in a business environment where long established business models can be displaced in very short order. We remain alert to the risks to our businesses and proactive in continuously improving them.



**Jeff Staniland**  
CEO



## Consolidated Statement of Comprehensive Income

For the year ended 31 March 2016

	Note	2016	2015
<b>Operating Revenue</b>			
Sales		180,504,439	162,945,299
Cost of Sales		14,834,844	13,119,463
Gross Profit		165,669,595	149,825,836
<b>Other Income</b>			
Rents Received		5,993,508	6,013,503
Government Subsidies		333,192	289,420
Investment Property Revaluation		10,114,319	16,709,649
Foreign Currency Translation Gains		683,475	300,755
Capital Gain on Disposal of Property, Plant and Equipment		0	3,457
		182,794,089	173,142,620
<b>Expenses</b>			
Operating Expenses	1	97,009,947	90,135,543
Directors' Fees		690,000	1,313,233
Audit Fees	1	129,436	117,260
Fringe Benefit Taxation		201,285	182,016
Depreciation	2	12,208,592	11,648,837
Amortisation Intangible Assets	23	4,217,168	4,217,168
		114,456,428	107,614,057
<b>Operating Profit Before Financing Costs</b>		68,337,661	65,528,563
Interest Received	3	200,830	489,764
Interest Paid	3	1,723,882	2,665,082
Net Financing Costs		1,523,052	2,175,318
<b>Profit Before Tax</b>		66,814,609	63,353,245
Income Tax Expense	4	14,858,541	11,991,487
<b>Profit for the Year</b>	19	51,956,068	51,361,758
Share of Profit of Equity Accounted Investees	21	555,105	455,280
<b>Profit Attributable to Equity Holders of the Company</b>		52,511,173	51,817,038
<b>Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Periods</b>			
Foreign Currency Translation Reserve		328,952	337,380
<b>Other Comprehensive Income to be Reclassified to Profit or Loss in Subsequent Periods</b>		328,952	337,380
<b>Total Comprehensive Income for the Year</b>		\$52,840,125	\$52,154,418
Earnings Per Share – basic	22	\$1.54	\$1.52
Earnings Per Share – diluted	22	\$1.54	\$1.52



## Consolidated Statement of Changes in Equity

For the year ended 31 March 2016

	Share Capital	Translation Reserve	Retained Earnings	Total Equity
<b>Equity as at 1 April 2014</b>	\$28,752,693	\$-1,151,890	\$215,715,168	\$243,315,971
Total Recognised Income and Expense	0	337,380	51,817,038	52,154,418
Contributions from Shareholders	0	0	0	0
Dividends to Shareholders	0	0	-12,616,841	-12,616,841
<b>Equity as at 31 March 2015</b>	\$28,752,693	\$-814,510	\$254,915,365	\$282,853,548
Total Recognised Income and Expense	0	328,952	52,511,173	52,840,125
Contributions from Shareholders	0	0	0	0
Dividends to Shareholders	0	0	-14,337,699	-14,337,699
<b>Equity as at 31 March 2016</b>	\$28,752,693	\$-485,558	\$293,088,839	\$321,355,974

## Consolidated Statement of Financial Position

For the year ended 31 March 2016

	Note	2016	2015
<b>Equity</b>			
Issued Fully Paid up Capital		28,752,693	28,752,693
34,137,379 Ordinary Shares		292,603,281	254,100,855
Retained Earnings & Reserves			
<b>Total Equity</b>		<b>\$321,355,974</b>	<b>\$282,853,548</b>
This is Represented by:			
<b>Non Current Assets</b>			
Property, Plant and Equipment	10	142,782,272	132,014,192
Investments in Associate and Other Companies	11	8,969,586	10,858,326
Investment Property	20	127,387,000	112,303,000
Deferred Taxation	4	1,477,745	1,235,932
Intangible Assets	23	84,116,381	86,316,762
<b>Total Non Current Assets</b>		<b>364,732,984</b>	<b>342,728,212</b>
<b>Current Assets</b>			
Inventory		1,456,146	1,084,999
Trade and Other Receivables	6	5,680,000	4,731,921
Bank Accounts	7	17,137,529	14,331,627
<b>Total Current Assets</b>		<b>24,273,675</b>	<b>20,148,547</b>
<b>Total Assets</b>		<b>389,006,659</b>	<b>362,876,759</b>
<b>Non Current Liabilities</b>			
Deferred Taxation	4	20,086,551	21,448,498
<b>Total Non Current Liabilities</b>		<b>20,086,551</b>	<b>21,448,498</b>
<b>Current Liabilities</b>			
Taxation		6,600,308	5,492,085
Trade Payables and Provisions	8	18,691,301	14,905,662
Employee Entitlements	9	4,172,525	3,276,966
Borrowings	12	18,100,000	34,900,000
<b>Total Current Liabilities</b>		<b>47,564,134</b>	<b>58,574,713</b>
<b>Total Liabilities</b>		<b>67,650,685</b>	<b>80,023,211</b>
<b>Net Assets</b>		<b>\$321,355,974</b>	<b>\$282,853,548</b>

On behalf of the Board



**M Quickfall**



**D N Jackson**

8 July 2016



## Consolidated Statement of Cash Flows

For the year ended 31 March 2016

	Note	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash was Provided from:</b>			
Government Subsidies		333,192	289,420
Receipts from Customers		179,556,360	162,220,093
Receipts from Interest		200,830	489,764
Receipts from Rent		5,993,508	6,013,503
Receipts from Dividends		693,000	742,500
		<u>186,776,890</u>	<u>169,755,280</u>
<b>Cash was Disbursed to:</b>			
Payments to Suppliers and Employees		108,555,461	101,795,146
Interest Paid on Debt		1,723,882	2,665,082
Taxation		15,354,078	12,663,983
		<u>125,633,421</u>	<u>117,124,211</u>
<b>Net Cash Flow From Operating Activities</b>	18	<u>\$61,143,469</u>	<u>\$52,631,069</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash was Provided from:</b>			
The Station Limited		60,000	80,000
Milford Sound Flights Limited		1,690,845	0
Proceeds from Sales of Assets		1,131,997	1,001,065
		<u>2,882,842</u>	<u>1,081,065</u>
<b>Cash was Applied to:</b>			
Acquisition of Property, plant and equipment		30,000,343	15,431,558
Acquisition of Christchurch iSite Intangible Assets		150,000	0
		<u>30,150,343</u>	<u>15,431,558</u>
<b>Net Cash Used In Investing Activities</b>		<u>\$-27,267,501</u>	<u>\$-14,350,493</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Cash was Provided from:</b>			
Foreign Currency Related Movements		0	611,040
		<u>0</u>	<u>611,040</u>
<b>Cash was Applied to:</b>			
Dividend Paid		14,337,699	12,616,841
Foreign Currency Related Movements		29,255	0
Decrease in Debt – Mortgages (secured)		16,800,000	21,750,000
		<u>31,166,954</u>	<u>34,366,841</u>
<b>Net Cash (Used In)/From Financing Activities</b>		<u>\$-31,166,954</u>	<u>\$-33,755,801</u>
Net (Decrease)/Increase in Cash Held		\$2,709,014	\$4,524,775
Add Effect of Exchange Rate Fluctuations on Cash Held		\$96,888	\$27,095
Add Opening Cash		<u>\$14,331,627</u>	<u>\$9,779,757</u>
<b>Ending Cash Carried Forward</b>	7	<u><u>\$17,137,529</u></u>	<u><u>\$14,331,627</u></u>

The notes to the accounts form an integral part of these accounts and are to be read in conjunction with them.

## Notes to the accounts

### SIGNIFICANT ACCOUNTING POLICIES

#### General Information

Skyline Enterprises Limited (The Company) and its subsidiaries (together the Group) own and operate tourism facilities, primarily cableway, Luge, restaurant, aircraft (fixed wing and helicopter), vessels, accommodation, commercial property and casino businesses. The Group has operations in New Zealand, Singapore and Canada. The Group has commenced construction of a Luge operation in South Korea.

The Company is a limited liability company incorporated and domiciled in New Zealand.

These Consolidated Financial Statements are for the year ended 31 March 2016 and were authorised for issue by the Board of Directors on 8 July 2016.

#### Basis of Preparation

The Consolidated Financial Statements of the Group 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 Financial Reporting Standards as appropriate for profit-oriented entities. Compliance with NZ IFRS ensures that the financial statements also comply with International Financial Reporting Standards (IFRS). The Company is a reporting entity for the purposes of the Financial Reporting Act 2013 and its financial statements comply with that Act.

The financial statements are presented in New Zealand Dollars (NZD) which is the Company's functional and presentation currency. The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: investment property assets. Dunedin Casino Limited shares and Christchurch Casino Land and Buildings are valued at fair value for the purposes of the acquisition but not on an ongoing basis.

#### Critical Accounting Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. 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 and in any future periods affected.

The estimates and assumptions that are critical to the determination of amounts reported in the financial statements relate to the following:

#### Fair Value of Investment Properties

The Valuation of investment property is dependent on a range of estimates, depending on the valuation methodology utilised. The critical estimates and assumptions underlying the measurement of investment property are outlined in Note 20.

#### Estimated Impairment of Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in the notes. The recoverable amounts of cash-generating units have been determined based on value in use calculations (refer to note 23). These calculations require the use of estimates.

There is sufficient headroom between the value in use calculation and the carrying value of the remaining assets that significant changes in the assumptions used would not require an impairment.

#### Income Taxes

The Group is subject to income taxes in four jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit 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 recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

#### Property Plant and Equipment

The fair value of property, plant and equipment on a business combination is determined using a combination of market comparisons and the depreciated replacement cost approach. These approaches include estimations and assumptions regarding useful lives, residual values, maintenance and technical obsolescence.

The estimations and assumptions used are subjective in nature and can have a significant impact on their fair value determined.



## Notes to the accounts continued

At each balance date, the useful lives and residual values of property, plant, and equipment are reviewed. Assessing the appropriateness of useful life and residual value estimates of property, plant, and equipment requires a number of factors to be considered such as the physical condition of the asset, expected period of use of the asset by the Group, and expected disposal proceeds from the future sale of the asset.

The Group has not made significant changes to past assumptions concerning useful lives and residual values.

### Acquisitions

The consideration transferred in an acquisition is measured at fair value, as are the identifiable net assets acquired. As stated above, any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in the statement of comprehensive income immediately. Transaction costs are expensed as incurred.

### Consolidation

The Consolidated Financial Statements have been prepared on the 'Purchase Method' and include the audited results of all subsidiaries to 31 March 2016.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the Investee. Specifically, the Group controls an Investee if and only if the Group has:

- a) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- b) Exposure, or rights, to variable returns from its involvement with the investee and
- c) The ability to use its power over the investee to affect its returns

When the group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- a) The contractual arrangement with the other vote holders of the investee
- b) Rights arising from other contractual arrangements
- b) The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- a) Derecognises the assets (including goodwill) and liabilities of the subsidiary
- b) Derecognises the carrying amount of any non-controlling interests
- c) Derecognises the cumulative translation differences recorded in equity
- d) Recognises the fair value of the consideration received
- e) Recognises the fair value of any investment retained
- f) Recognises any surplus or deficit in profit or loss
- g) Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

### Associates

Associates are entities in which Skyline Enterprises Group has significant influence but not control, generally accompanying shareholding of between 20% and 50% of the voting rights.

Associate companies are reflected in the financial statements of the parent and group using the equity method, whereby the Group's share of post-acquisition net earnings of the associate is included in earnings after income tax. Where the equity accounted carrying amount of an entity falls below zero, the equity method of accounting is suspended and the investment is recorded at zero. If this occurs, the equity method is not resumed until such time as the group's share of losses not recognised during the years in which the equity method was suspended, are offset by the current share of earnings.

## Notes to the accounts continued

### PROPERTY, PLANT AND EQUIPMENT

#### Owned Assets

Items of property, plant and equipment are measured at cost, less accumulated depreciation and impairment losses, with the exception of capital works in progress which are stated at cost. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

#### Depreciation

Depreciation of fixed assets has been provided for using Inland Revenue Department maximum allowable rates, except for buildings. It is considered that these rates will write off the cost of the assets over their expected useful lives.

Fixed assets have been depreciated at the following rates:

Buildings	1% to 7.7% CP or 4% to 8% DV
Gondolas, Cableways	11.1% CP or 10% to 12% DV
Motor Vehicles	20% CP or 25% to 31.2% DV
Plant & Equipment	5.9% to 33.3% CP or 7.5% to 60% DV
Furniture & Fittings	5.9% to 33.3% CP or 7.5% to 39.6% DV
Aircraft & Vessels	9% to 40% DV
Gaming tables, machines & equipment	7.7% to 33.3% CP
Pooled items of plant & equipment	60% to 80.4% DV

Land is not depreciated.

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

### INVESTMENT PROPERTY

An external independent valuation company, having appropriately recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment portfolio every 12 months. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, where appropriate: the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant premises, and the market's general perception of their creditworthiness; the allocation of maintenance and insurance responsibilities between the Group and the lessee; and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and where appropriate counter-notices have been served validly and within the appropriate time.

### INTANGIBLE ASSETS

#### Licences and concessions

Licences and concessions that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Licences and concessions are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.



## Notes to the accounts continued

The estimated remaining useful lives for the current period is as follows:

Totally Tourism Limited Group – Licences and Concessions	3.44 years
Christchurch Casinos Licence	3.63 years

Amortisation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

### Goodwill

Goodwill that arises upon the acquisition of subsidiaries is presented with intangible assets. For measurement of goodwill at initial recognition see note 23.

### Subsequent measurement of Goodwill

Goodwill is measured at cost less accumulated impairment losses.

### Computer Software

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software products so that they will be available for use;
- Management intends to complete the software products and use or sell it;
- There is an ability to use or sell the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the development and to use or sell the software product is available; and
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditure that does not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised on a straight-line basis over their estimated useful lives once the computer software is available for use. The estimated useful life of computer software development costs will be determined on completion of the current software development program.

## INVENTORIES

Inventories are stated at the lower of cost, determined on a first-in first-out basis, or net realisable value. Inventories include food, liquor, souvenirs and other retail merchandise for resale. Some inventories are subject to retention of title clauses.

## IMPAIRMENT

The carrying amounts of the Group assets other than inventories are reviewed at each balance date to determine whether there is any objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the Statement of Comprehensive Income. All receivables considered to have a short duration are not discounted.

Estimated recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Previously recognised impairment losses on assets may be reversed if there is a positive change in the estimate of the recoverable amount, but only to the extent of the prior cumulative impairment losses.

## Notes to the accounts continued

### FOREIGN CURRENCY

#### Transactions and Balances

Transactions in foreign currencies are translated into the functional currency at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies in the Statement of Financial Position are translated into the functional currency at the exchange rate ruling at that date. Foreign exchange differences arising on their translation are recognised in the Statement of Comprehensive Income.

### FOREIGN OPERATIONS

#### Translation of the Financial Statements of Independent Foreign Operations.

The assets and liabilities of the Group's overseas operations, being independent foreign operations, are translated at the exchange rates ruling at balance date. The revenues and expenses of these entities are translated at rates approximating the exchange rates ruling at the dates of transactions. Exchange differences arising on the translation of independent foreign operations are recognised in the foreign currency reserve. On disposal of a foreign operation, the balance held in the foreign currency reserves is transferred to the Statement of Comprehensive Income.

### NON-DERIVATIVE FINANCIAL INSTRUMENTS

Non-derivative financial instruments comprise investments in equity securities, cash and cash equivalents, trade and other receivables, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value. For instruments not at fair value through profit or loss, these are recognised at cost plus any attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all the risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

### CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

### TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recorded at cost reduced by appropriate allowances for estimated recoverable amounts. Bad debts are written off when identified.

### BORROWING COSTS

Until 1 April 2009, borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset (i.e., an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) were expensed as incurred. For qualifying assets commencing on or after 1 April 2009 such costs are capitalised.

### TRADE AND OTHER PAYABLES

Trade and other payables are stated at cost.

### LOANS AND ADVANCES

Loans and advances are measured at amortised cost using the effective interest method, less any impairment losses.

### SHARE CAPITAL

#### Ordinary Shares

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.



## Notes to the accounts continued

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### EMPLOYEE BENEFITS

#### Annual Leave

A liability for annual leave and days in lieu is recognised at each balance sheet date.

#### Defined Contribution Plans

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement when they are due.

#### Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

### INCOME TAX

The tax expense charged against earnings for the period is the estimated total liability including both the current period's provision and deferred tax. The current period's tax payable to the tax authorities in the jurisdictions in which the Group operates is recorded in taxation payable and any amounts due from those tax authorities included in current tax asset.

Tax relating to an item that is recognised in other comprehensive income or directly in equity is recognised in other comprehensive income or directly in equity, respectively.

Deferred income tax is provided, using the Statement of Financial Position method, on all temporary differences at the Statement of Financial Position date between the tax book value of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the Statement of Financial Position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. For deferred tax liabilities or assets arising on investment property measured at fair value, it is assumed that the carrying amounts of investment property will be recovered through sale.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax to be utilised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

### REVENUE

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown, net of goods and services tax, rebates and discounts and after eliminated sales within the Group. Revenue is recognised as follows:

#### Sale of Services

Sale of services, including tourism activities, are recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction. Sale of Services are usually in cash, by credit card or charged to an account.

#### Sale of Goods - Retail

Revenue from the sale of retail goods, is recognised when a group entity sells a product to the customer. Retail sales are usually in cash or by credit card.

#### Sale of Goods – Food and Beverage

Revenue from the sale of food and beverage goods, is recognised when a group entity sells a product to the customer. Food and beverage sales are usually in cash, by credit card or charged to an account.

## Notes to the accounts continued

### Sale of Goods - Other

Revenue of the sale of other goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Sale of other goods generally includes sales of assets. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods, or where there is continuing management involvement with the goods.

### Gaming Revenue

Gaming revenues are the net aggregate of gaming wins and losses. Gaming revenue is recognised on an accruals basis. This is effectively a cash basis, except to the extent that cash received represents a commitment to future jackpot payouts. Contributions from casino patrons to future jackpot payouts are recognised as a current liability.

### Rental income

Rental Income from investment property is recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income.

## EXPENSES

### Operating Lease Payments

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight line basis over the term of the lease.

### Finance Income and Expenses

Finance income comprises interest income, dividend income, and foreign currency gains. Interest income is recognised using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established.

Finance expenses comprise interest expense on borrowings, foreign currency losses, unwinding of the discount on provisions, and impairment losses recognised on financial assets. All borrowing costs are recognised in the Statement of Comprehensive Income using the effective interest method.

## GOODS AND SERVICES TAX

All amounts are shown exclusive of Goods and Services Tax (GST), except for receivables and payables that are stated inclusive of GST.

## SEGMENT REPORTING

An operating segment is presented on the same basis as that used for internal reporting purposes and its results are regularly reviewed by the chief operating decision maker, which consists of the Board of Directors and the Chief Executive Officer. All costs are directly allocated to the segment in which they are incurred.

## DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and for disclosure purposes based on the above policies.

## NEW NZ IFRS STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED

At the date of authorisation of these financial statements, certain new standards and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group. Management anticipates that all pronouncements will be adopted in the first accounting period beginning on or after the effective date of the new standard. Information on new standards, amendments and interpretations that are expected to be relevant to the Group financial statements is provided below. Certain other new standards and interpretations issued but not yet effective, that are not expected to have a material impact on the Group's financial statements have not been disclosed.



## Notes to the accounts continued

### (a) NZ IFRS 9 – Financial instruments (effective date from 1 January 2018)

The IASB and the XRB aim to replace NZ IAS 39 Financial Instruments: Recognition and Measurement in its entirety with replacement standard - NZ IFRS 9 Financial Instruments. The new standard is being issued in phases, with early adoption available as each phase is issued.

NZ IFRS 9 Financial Instruments was finalised and issued during the year and replaces NZ IAS 39 Financial Instruments: Recognition and Measurement.

The new standard includes a new classification and measurement regime for financial instruments, amendments to hedge accounting and changes in determining and measuring impairment of financial assets.

Management have yet to fully assess the impact these standards are likely to have on the financial statements of the Group.

### (b) NZ IFRS 15 – Revenue from Contracts with Customers (effective date from 1 January 2017)

The new standard establishes principles for reporting about the nature, amount, timing and uncertainty of revenue arising from an entity's contracts with customers. It prescribes when an entity will recognise revenue, how much revenue to recognise, and what disclosures to make about revenue.

The core principle of the Standard is to recognise revenue for the amount of consideration due to an entity in exchange for the goods and services provided to the customer.

This is done following a 5 step process:

- Step 1: Identify the contract with the customer;
- Step 2: Identify the performance obligations in the contract;
- Step 3: Determine the transaction price;
- Step 4: Allocate the transaction price to the performance obligations in the contract; and
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation by transferring control of an asset to a customer. This may be at a point in time (typically for goods), or over time (typically for services).

Based on the short-period of the average revenue contract entered into by the Group, the new standard is not expected to have a significant impact on the timing of current revenue recognition. However the Directors are still conducting further analysis of the impact of this new standard.

### (c) NZ IFRS 16 is the new standard on the recognition, measurement, presentation and disclosure of leases (effective date from 1 January 2019)

This standard will replace:

- i. NZ IAS 17 Leases;
- ii. NZ IFRIC 4 Determining whether an Arrangement contains a Lease;
- iii. NZ SIC-15 Operating Leases—Incentives; and
- iv. NZ SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The scope of the new standard includes leases of all assets, with certain exceptions. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

NZ IFRS 16 requires lessees to account for all leases under a single on-balance sheet model (subject to certain exemptions) in a similar way to finance leases under NZ IAS 17.

Lessees recognise a liability to pay rentals with a corresponding asset, and recognise interest expense and depreciation separately.

Reassessment of certain key considerations (e.g., lease term, variable rents based on an index or rate, discount rate) by the lessee is required upon certain events.

Lessor accounting is substantially the same as today's lessor accounting, using NZ IAS 17's dual classification approach.

Application of NZ IFRS 16 is required for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies NZ IFRS 15. Management will shortly commence an analysis to fully assess the impact this standard is likely to have on the financial statements of the Group.

## Notes to the accounts continued

### 1. EXPENSES

#### Operating Expenses

	2016	2015
Operating Lease Costs	6,948,040	7,894,895
Bad and Doubtful Debts	1,378	0
Wages and Salaries	49,532,967	45,046,626
Operating Expenses - Investment Properties	151,296	438,582
Employer contributions to defined contribution plans	951,400	869,793
Other	39,424,866	35,885,647
	<u>\$97,009,947</u>	<u>\$90,135,543</u>
<b>Remuneration of Auditors</b>		
Audit Fees for Financial Statement Audit	108,465	98,902
Audit Fees Paid to Other Auditors of the Group	20,971	18,358
	<u>\$129,436</u>	<u>\$117,260</u>

#### Donations

Donations of \$184,550 were paid for the year ended 31st March 2016 (2015: \$163,777). Donations includes \$172,000 paid to the Christchurch Casino Charitable Trust (2015: \$156,000).

### 2. DEPRECIATION

	2016	2015
Land and Improvements	38,388	20,917
Buildings	1,595,425	1,491,050
Furniture and Fittings	769,766	762,466
Plant and Equipment	4,770,482	4,661,730
Canadian Plant and Equipment	930,195	1,182,450
Sentosa Plant and Equipment	1,272,084	1,068,238
Aircraft & Vessels	2,832,252	2,461,986
	<u>\$12,208,592</u>	<u>\$11,648,837</u>
Total depreciation includes:		
Loss on disposal of Property, Plant and Equipment	\$80,994	\$132,597



## Notes to the accounts continued

### 3. NET FINANCING COSTS

#### Interest Received

Received from Bank of New Zealand  
Received on Taxation  
Received from Suppliers  
Received on Deposits

	2016	2015
	78,571	91,055
	1,522	1,056
	31,475	25,313
	89,262	372,340
	<u>\$200,830</u>	<u>\$489,764</u>

#### Interest Paid

Interest payments have been made on advances to the Company and Group as follows:

Advances from the Bank on Current Account  
Mortgages  
Inland Revenue Department  
Singapore Tax Authority  
Canadian Tax Authority  
Heli Holdings Limited (Refer to Note 14)

	2016	2015
	546	304
	1,418,190	2,649,800
	38,100	14,687
	0	5
	168	286
	266,878	0
	<u>\$1,723,882</u>	<u>\$2,665,082</u>

### 4. INCOME TAX EXPENSE

#### Current Tax Expense

Current Period New Zealand  
Adjustment for Prior Periods – NZ  
Current Overseas Taxation  
Adjustment for Prior Periods – Overseas

	2016	2015
	14,896,484	12,404,968
	-206,835	-710,599
	1,924,747	1,368,186
	-152,095	104,220
	<u>16,462,301</u>	<u>13,166,775</u>
	-1,332,334	-1,401,321
	-271,426	226,033
	<u>\$14,858,541</u>	<u>\$11,991,487</u>

#### Deferred Tax Expense

Current Charge  
Prior Period Adjustment

Total Income Tax Expense

## Notes to the accounts continued

### 4. INCOME TAX EXPENSE (CONTINUED)

#### Reconciliation of Effective Tax Rate

	\$ 2016	% 2016	\$ 2015	% 2015
Profit for the Period	51,956,068		51,361,758	
Total Income Tax Expense	14,858,541		11,991,487	
Profit Excluding Income Tax	66,814,609		63,353,245	
Income Tax Using Domestic Tax Rate	18,708,091	28.00%	17,738,909	28.00%
Effective Tax Rates on Overseas Income	-1,230,773	-1.84%	-725,481	-1.15%
Onshore Tax on Overseas Income	232,639	0.35%	159,653	0.25%
Tax Equity Accounted Investee Income	165,029	0.25%	145,603	0.23%
Imputation Credits on Investee				
Dividends Received	-269,500	-0.40%	-288,750	-0.46%
Net Effect Investment Property				
Revaluations, Depreciation	-2,832,009	-4.24%	-4,678,702	-7.39%
Non Deductible Expenses	412,822	0.62%	2,957	0.00%
Non Assessable Income	0	0	-24,406	-0.04%
Non-Taxable Capital Gains	0	0	-968	-0.00%
Benefit Losses Claimed	302,601	0.45%	43,018	0.07%
Prior Period Adjustments – Current Tax	-358,930	-0.54%	-606,379	-0.96%
Prior Period Adjustments – Deferred Tax	-271,429	-0.41%	226,033	0.36%
	<u>\$14,858,539</u>	<u>22.24%</u>	<u>\$11,991,487</u>	<u>18.91%</u>

#### Deferred Income Tax

#### Deferred Income Tax Liabilities

	2016	2015	2016	2015
Non Deductable Building Depreciation	11,075,049	11,380,735		
Accelerated Depreciation Sentosa	248,618	172,256		
Revaluations of Investment Property to Fair Value	968,129	946,492		
Sentosa	0	69,563		
Non Deductable Plant & Equipment				
Acquisition Costs	2,607,440	2,839,205		
Non Deductable Intangible Assets	391,270	528,237		
Taxable Overhaul Provision not recognised	516,354	193,350		
Non Deductable Casino Licence	3,887,453	4,926,422		
Deferred Earthquake Remediation	392,238	392,238		
Gross Deferred Income Tax Liabilities	<u>\$20,086,551</u>	<u>\$21,448,498</u>		
Deferred Income Tax Assets				
Employment Benefits	757,198	785,045		
Casino Provisions	120,700	366,292		
Other Items	599,847	84,595		
Gross Deferred Income Tax Asset	<u>\$1,477,745</u>	<u>\$1,235,932</u>		
Deferred Income Tax Charge			<u>\$-1,603,760</u>	<u>\$-1,175,288</u>



## Notes to the accounts continued

	2016	2015
<b>Imputation Credit Account</b>		
Balance 1st April	65,795,114	58,664,483
Add Income Tax Paid	14,050,877	11,514,723
Imputation Credits on Dividends Received	317,625	340,313
RWT on Interest Received	25,222	14,853
	<u>80,188,838</u>	<u>70,534,372</u>
Less Credits attached to Dividends Paid	5,321,805	4,709,251
Income Tax Refunds	66,876	30,007
	<u>74,800,157</u>	<u>65,795,114</u>
Balance 31st March	74,800,157	65,795,114
Plus New Zealand Income Tax Payable	5,016,045	3,799,636
	<u>79,816,202</u>	<u>69,594,750</u>
Imputation Credits Available for Subsequent Reporting Periods	79,816,202	69,594,750

## 5. CAPITAL AND RESERVES

### Share Capital

At 31 March 2016 share capital comprised 34,137,379 ordinary fully paid shares (2015: 34,137,379) which have no par value. The holders of ordinary shares have equal voting rights and share equally in dividends and any surplus on winding up.

	2016	2015
Shares on issue 1st April	34,137,379	34,137,379
Closing Shares on issue 31st March	<u>34,137,379</u>	<u>34,137,379</u>

### Translation Reserve

The translation reserve represents the net difference that arises when foreign domiciled assets and liabilities are translated at the closing rate.

### Dividends

The Dividends paid in 2016 and 2015 were \$14,337,699 (\$0.42 per share) and \$12,616,841 (\$0.37 per share) respectively. Proposed dividends will be payable on ordinary capital. All dividends will be fully imputed, the final proposed dividend being 55 cents per share compared to 42 cents per share last year. Total dividend payable will be \$18,775,558 from which Resident Withholding Tax will require to be deducted of \$1,303,785.

### Retained Earnings

These include the following Capital Reserves.

	2016	2015
Opening Balance brought forward	14,338,209	14,334,752
Plus Capital Gain Sale Building, Plant	0	3,457
Closing Balance	<u>\$14,338,209</u>	<u>\$14,338,209</u>

## Notes to the accounts continued

### 6. TRADE AND OTHER RECEIVABLES

	2016	2015
Trade Receivables	5,067,617	4,380,730
Prepayments	612,383	351,191
Total Receivable	<u>\$5,680,000</u>	<u>\$4,731,921</u>

The fair values of trade and other receivables are equivalent to the carrying values. There is no concentration of credit risk with respect to trade receivables, as the Group has a large number of customers, internationally dispersed.

Trade receivables are shown net of impairment losses amounting to \$Nil (2015: \$Nil) recognised in the current year.

### 7. CASH AND CASH EQUIVALENTS

	2016	2015
Cash at Bank and In Hand	15,459,529	10,956,627
Deposits (on call)	1,678,000	3,375,000
Closing Balance	<u>\$17,137,529</u>	<u>\$14,331,627</u>

The effective interest rate on call deposits is 1.00 per cent per annum (2015: 2.80 per cent).

### 8. TRADE AND OTHER PAYABLES

	2016	2015
Trade Payables	14,816,639	11,582,043
Provisions	1,902,766	1,345,593
GST	1,945,971	1,958,614
Income Received in Advance	25,925	19,412
	<u>\$18,691,301</u>	<u>\$14,905,662</u>

The component parts of the Provisions balance consist of bonus points, jackpots, dining and unredeemed chips in relation to casino games.

The movement in Provisions was:

	2016	2015
Balance 1st April	1,345,593	1,053,431
Provisions made during the period	1,944,351	1,269,004
Provisions used during the period	-1,387,178	-976,842
Balance 31st March	<u>\$1,902,766</u>	<u>\$1,345,593</u>

### 9. EMPLOYEE BENEFITS

	2016	2015
Liability for Annual Leave	3,125,390	2,470,505
Other Employee Entitlements	1,047,135	806,461
	<u>\$4,172,525</u>	<u>\$3,276,966</u>

## Notes to the accounts continued

### 10. PROPERTY, PLANT AND EQUIPMENT

	Land & Improvements (at Cost)	Buildings (at Cost)	Furniture & Fittings (at Cost)	Plant & Equipment (at Cost)	Aircraft & Vessels (at Cost)	Canadian Plant & Equipment	Singapore Plant & Equipment	Capital Work in Progress	Total
<b>2016</b>									
Gross carrying amount									
Balance at 1 April 2015	18,545,305	62,777,303	9,008,136	40,789,600	28,171,127	13,525,704	12,166,956	1,960,189	186,944,320
Additions	2,130,841	1,059,967	464,165	3,258,682	6,546,582	27,365	418,926	6,953,214	20,859,742
Additions on Acquisition	0	0	0	68,240	2,235,893	0	0	0	2,304,133
Disposals	-1,179	0	-10,196	-1,437,381	-2,341,545	0	0	0	-3,790,301
Net foreign currency exchanges	0	0	0	0	0	423,293	524,811	0	948,104
Transfers	0	0	0	0	0	0	0	0	0
Balance at 31 March 2016	20,674,967	63,837,270	9,462,105	42,679,141	34,612,057	13,976,362	13,110,693	8,913,403	207,265,998
<b>Accumulated Depreciation</b>									
Balance at 1 April 2015	-228,183	-7,974,311	-5,323,911	-22,973,064	-5,573,408	-5,978,648	-6,878,603	0	-54,930,128
Current year depreciation	-38,388	-1,595,425	-769,766	-4,770,482	-2,832,252	-930,195	-1,272,084	0	-12,208,592
Disposal	0	0	10,159	1,430,651	1,214,184	0	0	0	2,654,994
Balance at 31 March 2016	-266,571	-9,569,736	-6,083,518	-26,312,895	-7,191,476	-6,908,843	-8,150,687	0	-64,483,726
Total Book Value	\$20,408,396	\$54,267,534	\$3,378,587	\$16,366,246	\$27,420,581	\$7,067,519	\$4,960,006	\$8,913,403	\$142,782,272

At balance date, the total Capital Work in Progress of \$8,913,403 included Capital Work in Progress in relation to the Korean Luge Development outlined at Note 25, of \$8,136,396 (2015: \$1,960,189).

	Land & Improvements (at Cost)	Buildings (at Cost)	Furniture & Fittings (at Cost)	Plant & Equipment (at Cost)	Aircraft & Vessels (at Cost)	Canadian Plant & Equipment	Singapore Plant & Equipment	Capital Work in Progress	Total
<b>2015</b>									
Gross carrying amount									
Balance at 1 April 2014	18,031,514	60,402,817	8,634,097	37,841,434	24,111,161	14,376,426	10,850,857	811,801	175,060,107
Additions	513,791	2,451,151	374,039	3,476,572	4,545,765	364,297	1,787,204	1,148,388	14,661,207
Additions on Acquisition	0	0	0	0	0	0	0	0	0
Disposals	0	-76,665	0	-528,406	-485,799	-288,044	0	0	-1,378,914
Net foreign currency exchanges	0	0	0	0	0	-926,975	-471,105	0	-1,398,080
Balance at 31 March 2015	18,545,305	62,777,303	9,008,136	40,789,600	28,171,127	13,525,704	12,166,956	1,960,189	186,944,320
<b>Accumulated Depreciation</b>									
Balance at 1 April 2014	-81,917	-6,478,564	-4,561,445	-18,387,600	-3,519,153	-4,833,339	-5,747,141	0	-43,609,159
Current year depreciation	-20,917	-1,491,050	-762,466	-4,661,730	-2,461,986	-1,182,450	-1,068,238	0	-11,648,837
Disposal	-125,349	-4,697	0	76,266	407,731	37,141	-63,224	0	327,868
Balance at 31 March 2015	-228,183	-7,974,311	-5,323,911	-22,973,064	-5,573,408	-5,978,648	-6,878,603	0	-54,930,128
Total Book Value	\$18,317,122	\$54,802,992	\$3,684,225	\$17,816,536	\$22,597,719	\$7,547,056	\$5,288,353	\$1,960,189	\$132,014,192



## Notes to the accounts continued

### 11. INVESTMENTS IN ASSOCIATES AND OTHER COMPANIES

	2016	2015
Shares, Memberships	38,500	38,500
The Station Limited	43,725	63,786
Milford Sound Flights Limited	0	1,855,487
Dunedin Casinos Limited	8,887,361	8,900,553
	<u>\$8,969,586</u>	<u>\$10,858,326</u>

The following associate Companies have been equity accounted:

Company	Equity Accounted Percentage Held	31 March 2016 Percentage Held	Balance Date
The Station Limited	50.0%	50.0%	30 June
Milford Sound Flights Limited**	50.0%	100.0%	31 March
Dunedin Casinos Limited	33.0%	33.0%	31 March
Glentanner Heliski Limited*	50.0%	50.0%	31 March
Mount Cook Heli-ski Limited*	50.0%	50.0%	31 March

\* Non trading associate companies

\*\* Purchase of associate company

On 31st May 2015 the group purchased the remaining 50% of the shares in Milford Sound Flights Limited. The company has been equity accounted for the period 1 April 2015 to 31 May 2015 and as a subsidiary from 1st June 2015. Further information relating to the purchase of the company is detailed in Note 24.

Milford Sound Flights Limited is part of the Totally Tourism Group. It operates in the Tourism Industry as a fixed wing aircraft scenic flight operator.

Dunedin Casinos Limited operates predominantly in the Casino Industry. It operates in Dunedin.

The Station Limited is part of the Totally Tourism Group. It operates in the Tourism Industry as an agency for sightseeing sales.

The balance date of The Station Limited is aligned with the requirements of the other shareholder of that company.

Further information relating to equity accounted associates is available at Note 21.

The following associate Company has not been equity accounted.

Company	31 March 2016 Percentage Held	Balance Date
Mountain Bike Events Limited	25%	31 March

Mountain Bike Events Limited is a Special Purpose Entity, its constitution removes the right for dividend or profit distributions to be made to the Group, for this reason it has not been equity accounted.

## Notes to the accounts continued

### Group Entities

All subsidiaries have been fully consolidated in the accounts. All subsidiaries have a 31st March balance date.

The following subsidiary Companies are 100% beneficially owned, and are incorporated in New Zealand unless otherwise stated.

Christchurch Casinos Limited  
Accommodation and Booking Agents (Queenstown) Limited  
Leisure Lodge Motor Inn Limited  
Queenstown Tourist Company Limited  
Skyline Skyrides Limited  
Skyline Tours Limited  
North Sky Luge Limited  
North Sky Luge (Tremblant) Limited – incorporated in Canada  
North Sky Luge (Calgary) Limited – incorporated in Canada  
Sentosa Luge Company Pte Limited – incorporated in Singapore  
Tongyeong Luge Company Limited – incorporated in Korea  
Milford Sound Scenic Flights Limited  
Milford Sound Flights Limited (From 31st May 2015)

Fairy Springs Holdings Limited  
Skyline Investments Limited  
Skyline Properties Limited  
O'Connells Pavilion Limited  
North Sky Luge No 2 Limited  
Glacier Helicopters Holdings Limited  
Totally Tourism Limited  
The Helicopter Line Limited  
Glacier Helicopters Limited  
Mitre Peak Cruises Limited  
Air Fiordland Limited  
Wanaka Flightseeing (2006) Limited  
Milford Sound Cruises Limited

## 12. INTEREST-BEARING LOANS AND BORROWINGS

### Current

Secured Bank Loans

	2016	2015
	18,100,000	34,900,000
	<u>\$18,100,000</u>	<u>\$34,900,000</u>

### Terms and Debt Repayment Schedule

The terms and conditions of outstanding loans were as follows:

	Currency	Interest rate	Year of maturity	2016 Face value	Carrying amount	2015 Face value	Carrying amount
Secured Bank Loan	NZD	3.53%	On Call	18,100,000	18,100,000	34,900,000	34,900,000
Total Interest-bearing Liabilities				<u>\$18,100,000</u>	<u>\$18,100,000</u>	<u>\$34,900,000</u>	<u>\$34,900,000</u>

### Borrowing (secured)

During the year an overall facility of \$40,000,000 was arranged with the Bank of New Zealand on 31st December 2015. The facility limit expires on 31st December 2017.

The facility is secured by mortgage and debenture over the assets and undertakings of the Group.

## 13. RELATED PARTY TRANSACTIONS

### Parent and Ultimate Controlling Party

The immediate parent of the Group is Skyline Enterprises Limited. By virtue of the fact the Company is owned by a large number of small investors there is no ultimate controlling party.

Skyline Enterprises Limited has a related party relationship with the subsidiaries and associates as listed in Note 11.

Skyline Enterprises Limited has provided an unlimited intercompany guarantee to the Bank of New Zealand in favour of all its New Zealand subsidiaries.

## Notes to the accounts continued

### 13. RELATED PARTY TRANSACTIONS (CONTINUED)

#### Key Management Compensation

Short Term Employee Benefits \$4,490,321 (2015: \$4,475,210)

Directors receive a retirement benefit for loss of office where a Director has served for more than five years. This is calculated based on the aggregate of the last 3 years Directors' fees prior to retirement, with 5% of this figure paid for each year of service as a Director to a maximum of 100% of the aggregate. Mr P Hensman received \$180,000 on his retirement from Skyline Enterprises Limited in September 2015. Mr B Thomas received \$240,000 on his retirement from Christchurch Casinos Limited in April 2015. By Resolution the Directors' retirement policy has been ceased as of 31st March 2015. A liability as at 31st March 2016 has been recorded for the amount accrued under this policy to 31st March 2015. The individual liability as accrued at 31st March 2016 is payable either upon the retirement of the current Directors at age 65 or at such earlier retirement date at the discretion of the Board of Directors.

The following liability exists for Director's retirement benefit at balance date: Group \$368,700 (2015: \$788,700).

#### Loans and Advances to Related Parties

Advance to Milford Sound Flights Ltd

**2016**

**2015**

\$Nil

\$381,500

These are repayable on demand and are unsecured.

#### Transactions with Related Parties

##### Directors

Businesses in which Directors have an interest and which provided services/supplies to the group on an arms length commercial basis during the period were as follows:

Mr G Hensman is a Director and shareholder of Southern Beaver Limited which provided consulting contracting and heavy machinery services to the value of \$960 (2015: \$632), with \$Nil owing at balance date (2015: \$Nil).

Mr M Quickfall is a Trustee and beneficiary of the MJQ Trust which purchased goods and services on normal commercial terms to the value of \$Nil (2015: \$2,838), with \$Nil receivable at balance date (2015: \$Nil)  
No related party debts were written off or forgiven during the year.

Mr R Thomas is a Director and shareholder of Bookme Limited which acts as an online booking agency and purchased products and services to the value of \$510,109 (2015: \$369,985), with \$49,172 receivable at balance date (2015: \$34,036).

Mr D Jackson is a Partner of McCulloch and Partners Chartered Accountants which provided professional services to the value of \$221,821 and Directors fees of \$95,000, with \$8,348 owing at balance date in respect of professional services and \$95,000 in respect of Directors fees.

The balance of Directors fees owing at balance date to Directors was \$690,000 (2015: \$1,094,900).

##### Subsidiaries

A number of goods and services are traded on normal commercial terms between subsidiaries. The value of inter entity sales and purchases was \$6,056,482 (2015: \$3,680,927), at balance date \$862,960 was due between subsidiary companies (2015: \$743,222).

Terms of trade are that payment is due by the 20th of the month following the invoice. These have been eliminated on consolidation.

##### Associates

Goods, services provided to associated entities

**2016**

**2015**

\$2,082,303

\$2,445,298

Goods, services provided from associated entities

\$98,717

\$847,955

At 31st March outstanding balances of goods services provided to associated entities were \$250,727 (2015: \$219,388) and goods services provided from associated entities were \$Nil (2015: \$121,409). Terms of trade are that payment is due by the 20th of the month following invoice, and trading is on normal commercial terms.



## Notes to the accounts continued

### 14. CONTINGENT LIABILITIES

The North Sky Luge (Tremblant) Limited operating lease agreement with Mont Tremblant Resorts Limited – Intrawest requires satisfactory removal of all installations upon termination of the lease or the payment of \$100,000 Canadian to cover such costs of removal.

At balance date The Helicopter Line Limited is in dispute with Heli Holdings Limited regarding the lease of helicopters, provision of maintenance of helicopters by Airwork and other matters. Heli Holdings previously presented an invoice for shortfall hours for the period 2008 to 2013 and is claiming damages resulting from the cancellation of the lease agreement.

The matter was heard in the High Court in May, June and July 2015. A decision was received in May 2016. This decision validated The Helicopter Lines decision to cease flying the helicopters in July 2013 over safety concerns relating to the standard of maintenance provided under the contract. It also confirmed that the contract was at an end in 2013 which otherwise was scheduled to run until 2022.

The Judgement requires The Helicopter Line and its immediate parent company Totally Tourism Limited to pay shortfall hours up until the time The Helicopter Line grounded the helicopter fleet over the safety concerns, of \$2,015,725 plus interest.

The Helicopter Line has accepted the findings of the Court in relation to the historic charges and the decision generally. The Helicopter Line has cross appealed some aspects of the decision in relation to post July 2013 events in response to Heli Holdings appeal to the Court of Appeal.

The commercial implications and claim quantum is subject to Heli Holdings appeal and The Helicopter Line cross appeal. At balance date the group has provided for the shortfall hours awarded of \$2,015,725 and calculated interest of \$266,878. Under the terms of the purchase of the Totally Tourism Limited group of businesses the vendor, being the MJQ Trust of which Mr M Quickfall, a Director, is a Trustee and a Beneficiary, provided a pre-settlement indemnity in respect of any future liabilities that may arise after purchase of the business relating to liabilities incurred prior to the date of purchase. This portion of the shortfall hours and related interest will be claimed under the pre-settlement indemnity provisions from the vendor.

At balance date the Group has a maximum liability of \$245,000 (2015:\$220,000) to the BNZ in respect of Visa Business credit cards held. The Group also has a guarantee bond of \$10,000 in favour of New Zealand Racing Board issued by Christchurch Casinos Ltd. Otherwise the Group had no significant contingent liabilities as at 31 March 2016 as for the previous year.

### 15. CAPITAL COMMITMENTS

#### Contracted but not provided for:

	2016	2015
AVA Building upgrade	100,000	1,000,000
Marine Parade New Build	4,772,000	165,000
Korean Development Consents	18,000,000	185,000
Information Technology Software Upgrade	1,900,000	0
Skyline Rotorua weather-proof cover for terrace area	115,000	0
Purchase Zoom Zipline	1,200,000	0
Sentosa Second Chairlift	600,000	0
Construction of Baccarat Room and Chi Kitchen	0	350,000
Helicopter Line Helicopter Purchase	0	2,235,000
	<u>\$26,687,000</u>	<u>\$3,935,000</u>

## Notes to the accounts continued

### 15. CAPITAL COMMITMENTS (CONTINUED)

#### Committed but not contracted for:

	2016	2015
Skyline Skyrides Access Road Upgrade	65,000	100,000
Information Technology Upgrade	1,900,000	3,000,000
Skyline Skyrides Star Gazing Build	80,000	0
Milford Sound Flights Cessna Caravan	2,000,000	0
Leisure Lodge Reception Upgrade	255,000	0
Sentosa Second Chairlift	10,800,000	0
Marine Parade New Build	0	7,700,000
Skyline Glass Viewing Cube	0	120,000
Skyline Building Development	0	1,000,000
Skyline Zipline, Jump and Climbing Tower	0	750,000
Skyline Skyrides Upgrades	0	80,000
The Helicopter Line Vehicles	0	92,000
Korean Development Costs	0	25,000,000
	<u>\$15,100,000</u>	<u>\$37,842,000</u>

#### Committed but not contracted for Associates:

	2016	2015
Milford Sound Flights Cessna Caravan Purchase	\$0	\$1,260,000

Any other material capital expenditure items contracted for at balance date are provided for in the financial statements.

### 16. OPERATING LEASE COMMITMENTS

- (a) The company has entered into an operating lease with the Queenstown Lakes District Council and Minister of Conservation for the cableway, Luge and restaurant complex on Bobs Peak, Queenstown. The lease is renewable 5 yearly with rights of renewal to 2070. It has been renewed to 31st March 2020. Rental is 3% of Food, Beverage, Photography and Souvenirs sales to 2020. Rental on Luge, Gondola and Other Sales is 3.75% to 2017, then 4% to 2020. As turnover figures are not known actual future obligations under the lease cannot be determined in dollar terms.
- (b) The Group has entered into an operating lease with Intrawest for the Luge operation at Mont Tremblant, Quebec, Canada. The lease is renewable five yearly with rights of renewal to 2023. The current term expires in April 2018. Rental is calculated on a percentage of turnover, minimum rental payable each year being C\$200,000. A lift maintenance fee of C\$25,000 to C\$33,000 is also payable. As turnover figures are not known, actual future obligations under the lease cannot be determined in dollar terms.
- (c) The Group has entered into an operating lease with the Sentosa Development Corporation for the Luge operation on Sentosa Island, Singapore. The lease is renewable five yearly with rights of renewal to 2025. The current term expires in December 2020. Rental is calculated on a percentage of turnover with monthly prepayments. Prepayments in successive terms are increased by the higher of 15% of amounts prepaid in the preceding term or the percentage increase in the Singapore Consumer Price Index, whichever be the higher. As turnover figures are not known, actual future obligations under the lease cannot be determined in dollar terms.
- (d) The Group has entered into an operating lease with the Calgary Olympic Development Association for the period of 10 years commencing on 1st May 2013 and renewable for a further term of 10 years. Rentals have been calculated in advance for the first term of 10 years. The balance of rent payable for the first term will be C\$1.350 million payable as follows:

	\$C
Less than one year	175,000
One to five years	775,000
More than five years	400,000

## Notes to the accounts continued

### 17. FINANCIAL INSTRUMENTS

Exposure to credit, interest rate, foreign currency, equity price and liquidity risks arises in the normal course of the Group's business.

#### Credit Risk

Financial Instruments which potentially subject the Group to credit risk principally consist of accounts receivable, advances to associated companies and bank balances. The Group generally does not require collateral or security. The Group continuously monitors the credit quality of its major receivables and does not anticipate any non performance of those customers. The Group places its call and short term deposits only with registered banks.

#### Liquidity Risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities and has credit lines in place to cover potential shortfalls.

#### Foreign Currency Risk

Foreign currency risk is the risk that the value of assets and liabilities will fluctuate due to changes in foreign exchange rates. The Group is exposed to the following currency risks as a result of transactions that are denominated in a currency other than New Zealand Dollars.

- a) Canadian Dollars due to its offshore investment in the North Sky Luge operations, two fully owned subsidiaries,
- b) Singapore Dollars due to its offshore investment in the Sentosa Luge operation, a fully owned subsidiary, and
- c) South Korean Won due to its offshore investment in the Korean Luge development, a fully owned subsidiary.

#### Interest Rate Risk

The Company and Group are exposed to interest rate risk in respect of the bank mortgages of \$18,100,000 (2015: \$34,900,000). The Directors consider that the interest rate risk is within acceptable thresholds for the group.

The carrying amount of financial assets represents the Group's maximum credit exposure.

The Group has not renegotiated the terms of any financial assets that would result in the carrying amount no longer being past due or avoid a possible past due status. The Group evaluate the concentration of risk with respect to trade receivables as low as its customers are located in different jurisdictions and operate in largely independent markets.

The Group's maximum exposure to credit risk for trade and other receivables by geographic regions is as follows:

	2016	2015
New Zealand	4,439,131	4,138,419
Singapore	625,843	238,723
Canada	2,643	3,588
Total	<u>\$5,067,617</u>	<u>\$4,380,730</u>

The status of trade receivables at the reporting date is as follows:

	Gross Receivable 2016	Impairment 2016	Gross Receivable 2015	Impairment 2015
Not past due	4,194,400	0	3,506,251	0
Past due 0-30 days	588,590	0	591,021	0
Past due 31-120 days	247,847	0	182,861	0
Past due 121-360 days	22,706	0	91,052	0
Past due more than 1 year	14,074	0	9,545	0
Total	<u>\$5,067,617</u>	<u>\$0</u>	<u>\$4,380,730</u>	<u>\$0</u>



## Notes to the accounts continued

### 17. FINANCIAL INSTRUMENTS (CONTINUED)

#### Liquidity Risk

The Group assessed the concentration of risk with respect to refinancing its debt as low as access to sources of funds is sufficiently available and debt maturing within 12 months can be rolled over with existing lenders. The Group assessed the concentration of risk with respect to payables as low as the Group is able to pay its debts as they fall due and has access to a sufficient funding with its bankers. The following table sets out the contractual cash flows for all financial liabilities and derivatives that are settled on a gross cash flow basis.

	Balance Sheet	Contractual Cash Flows	12 Months or less	1 – 2 Years	2 – 5 Years	More than 5 years
<b>2016</b>						
Trade and Other Payables	22,863,862	22,863,862	22,863,862	0	0	0
Secured Bank Loans	18,100,000	18,100,000	18,100,000	0	0	0
Total Non-derivative Liabilities	40,963,826	40,963,826	40,963,826	0	0	0
<b>2015</b>						
Trade and Other Payables	18,182,628	18,182,628	18,182,628	0	0	0
Secured Bank Loans	34,900,000	34,900,000	34,900,000	0	0	0
Total Non-Derivative Liabilities	53,082,628	53,082,628	53,082,628	0	0	0

#### Foreign Currency Risk

The Group assessed the concentration of risk with respect to foreign currency as medium, as whilst no formal hedging is in place any excess foreign currency funds are transferred to the Parent entity regularly thereby minimising foreign currency balances. The Group's exposure to foreign currency risk can be summarised as follows:

	\$S	\$C	2016 \$K	\$S	\$C	2015 \$K
Trade Receivables	582,973	375	0	244,739	40,409	0
Trade Payables	-1,002,519	-13,192	-93,017,868	-870,010	-9,994	0
Net Balance Sheet Exposure	419,546	12,817	-93,017,868	-625,271	30,415	0

\$S = Singapore Dollars

\$C = Canadian Dollars

\$K = South Korean Won

#### Capital Management

The Group's capital includes share capital, reserves and retained earnings. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group is not subject to any externally imposed capital requirements.

#### Sensitivity Analysis

In managing interest rate and currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer term, permanent changes in foreign exchange and interest rates will have an impact on profit.

At 31 March it is estimated that a general increase of 1.0% in interest rates would have decreased the Group's profit before income tax by \$265,000 (2015: \$457,750). This was calculated by reference to the average debt in the year and the average interest rate in the year.

The above estimate of change in profit has been calculated on bank loans, and has been estimated on a similar basis to the prior year.

## Notes to the accounts continued

### Classification and Fair Values

It is estimated that a general increase of 10% in the value of the New Zealand Dollar against other foreign currencies would have decreased the Group's profit before income tax by \$1,121,908 (2015: \$788,190). This was calculated by reference to the net income derived from offshore entities in the year and the average exchange rate in the year in the currencies that the Group trades in.

	Note	Trading	Designated at Fair Value	Held to Maturity	Loans and Receivables	Available for Sale	Other Amortised Cost	Total Carrying Amount	Fair Value
<b>2016</b>									
<b>Assets</b>									
Investments in Associates & Other Companies	11	0	0	0	0	8,969,5486	0	8,969,5486	*
Trade Receivables	6	0	0	0	5,680,000	0	0	5,680,000	5,680,000
Cash and Cash Equivalents	7	0	0	0	17,137,529	0	0	17,137,529	17,137,529
Total Current Assets		0	0	0	22,817,529	8,969,5486	0	31,787,115	22,817,529
Total Assets		0	0	0	22,817,529	8,969,5486	0	31,787,115	22,817,529
<b>Liabilities</b>									
Loans and Borrowings	12	0	0	0	0	0	18,100,000	18,100,000	18,100,000
Trade and Other Payables	8 & 9	0	0	0	0	0	22,863,826	22,863,826	22,863,826
Total Current Liabilities		0	0	0	0	0	40,963,826	40,963,826	40,963,826
Total Liabilities		0	0	0	0	0	40,963,826	40,963,826	40,963,826
<b>2015</b>									
<b>Assets</b>									
Investments in Associates & Other Companies	11	0	0	0	0	10,858,326	0	10,858,326	*
Trade and Other Receivables	6	0	0	0	4,380,730	0	0	4,380,730	4,380,730
Cash and Cash Equivalents	7	0	0	0	14,331,627	0	0	14,331,627	14,331,627
Total Current Assets		0	0	0	18,712,357	0	0	18,712,357	18,712,357
Total Assets		0	0	0	18,712,357	10,858,326	0	29,570,683	18,712,357
<b>Liabilities</b>									
Loans and Borrowings	12	0	0	0	0	0	34,9000,000	34,9000,000	34,9000,000
Trade and Other Payables	8 & 9	0	0	0	0	0	18,182,628	18,182,628	18,182,628
Total Current Liabilities		0	367,575	0	0	0	53,082,628	53,082,628	53,082,628
Total Liabilities		0	367,575	0	0	0	53,082,628	53,082,628	53,082,628

\* The Directors are unable to determine the fair value of the investment in Associates and Other Companies because the equity instruments do not have a quoted market price in an active market. It is the Directors' intention to continue to hold the Investments in Associates and Other Companies.

There are no financial instruments measured at fair value in the Statements of Financial Position.

### Estimation of Fair Values

The methods used in determining the fair value of financial instruments are discussed in the Group's accounting policies.

The estimated fair values of the financial instruments at 31 March 2016 are identical to the carrying values as detailed in the Consolidated Statement of Financial Position as at 31 March 2016.

## Notes to the accounts continued

### 18. RECONCILIATION OF PROFIT AFTER TAXATION TO NET CASH FLOWS FROM OPERATING ACTIVITIES

	2016	2015
Reported Surplus after Taxation	52,511,173	51,817,038
<b>Add Non Cash Items</b>		
Depreciation	12,208,592	11,648,837
Movement in Deferred Tax	-1,603,760	-1,175,288
Additional Earnings from Equity Accounted Associates	137,895	287,220
Investment Property Fair Value	-10,114,319	-16,709,649
Foreign Currency Translation (Gains)/Losses	-683,475	-300,755
Amortisation Intangible Assets	4,217,168	4,217,168
Capital Gains on Disposal of Property, plant and equipment	0	-3,457
	<u>56,673,274</u>	<u>49,781,114</u>
<b>Movement in Working Capital</b>		
Increase in Taxation Paid	1,108,223	502,792
(Decrease)/Increase in Other Creditors	4,681,198	3,087,052
(Decrease)/Increase in Inventory	-371,147	-14,683
Decrease/(Increase) in Debtors	-948,079	-725,206
	<u>4,470,195</u>	<u>2,849,955</u>
<b>Net Cash Flow from Operating Activities</b>	<u>\$61,143,469</u>	<u>\$52,631,069</u>

### 19. SEGMENT REPORTING

#### a) Operating Segments

##### Chief Operating Decision Maker

The 'Chief Operating Decision Maker' has been identified as the Board of Directors and the Chief Executive Officer, who review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

##### Reportable Segments

The Group has three reportable segments (2015: three), as described below, which are the Group's strategic business units. The strategic business units offer different products and services and are managed separately because they require different technology and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

Tourism Operations – includes the Gondola, Luge, related food & beverage sales at all relevant operating sites, aviation and marine activities.

Property Investment – includes the ownership and rental of properties classified as investment property.

Casino Operations – includes gaming food and beverage sales at the Christchurch Casino.

Other operations include the provision of accommodation and the ownership of shares for investment purposes. None of these segments meet any of the quantitative thresholds for determining reportable segments in 2016 and 2015.

Information regarding the operations of each reportable segment is included below. Performance is measured based on segment operating profit before income tax. Segment operating profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Other information provided is measured in a manner consistent with that in the financial statements. Significant one-off costs such as depreciation and revaluation of investment property have been excluded from the segment disclosures to reflect underlying segment operating performance.

## Notes to the accounts continued

	Tourism Operations		Property Investment Operations		All Other Segments		Casino Operations			Total
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Revenue from										
External Customers	114,872,650	97,409,663	4,830,890	4,894,331	6,073,261	5,928,389	60,238,529	61,063,799	187,053,052	169,296,182
Wages	23,597,605	20,566,481	0	0	3,171,473	3,085,173	21,332,155	21,396,258	48,101,233	45,047,912
Cost of Sales	11,359,053	11,001,997	0	0	287,769	372,616	3,188,022	1,744,850	14,834,844	13,119,463
Operating Profit	39,863,523	29,414,781	4,467,965	4,455,598	854,509	608,899	16,175,603	15,684,762	61,361,600	50,164,040
Other Reconciling Items									6,976,061	15,364,523
Financing Costs									-1,523,052	-2,175,318
Tax									-14,858,541	-11,991,487
Profit for the Year									\$51,956,068	\$51,361,758
Capital Expenditure	19,828,592	11,090,788	4,969,681	770,351	98,857	189,281	5,103,213	2,610,787	30,000,343	14,661,207
Segment Assets	106,756,642	89,463,882	126,506,125	112,412,635	3,204,030	4,992,518	150,854,117	156,007,724	387,320,914	362,876,759

### b) Geographical Segments

The Tourism operation segment is managed on a worldwide basis, but operates tourism operation sites in New Zealand, Singapore and Canada. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	New Zealand		Singapore		Other Regions	
	2016	2015	2016	2015	2016	2015
Total Segment Revenue	166,720,981	152,718,023	16,256,844	13,263,861	4,075,227	3,314,298
Segment Property, plant and equipment	332,799,220	345,960,233	8,362,979	7,143,324	21,714,560	9,683,202

## 20. INVESTMENT PROPERTY

A number of the Group's accounting policies and disclosure require the determination of fair value. Fair values have been determined for measurement and disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair value is disclosed in the notes specific to that asset or liability.

Disclosures are specifically provided below for non-financial assets which are subject to annual fair value remeasurement after initial recognition. The table below analyses the non financial assets carried at fair value, by a valuation method. The different levels have been defined as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3 inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### Level 2

	2016	2015
Balance at 1 April	112,303,000	94,823,000
Additions from subsequent expenditure	4,969,681	770,351
Change in fair value	10,114,319	16,709,649
Total carrying amount	\$127,387,000	\$112,303,000



## Notes to the accounts continued

### 20. INVESTMENT PROPERTY (CONTINUED)

Additions from subsequent expenditure include total work in progress relating to the new Marine Parade development of \$4,230,188. There were no transfers between level 1 and level 2 during the year.

The investment property assets total shown in the Consolidated Statement of Financial Position and reconciled above have been valued at fair value totalling \$127,387,000 (2015: \$112,303,000).

An independent valuation was prepared by APL Property Queenstown Limited (Registered Valuers) to determine the fair value of properties as at 31 March 2016. An external valuer has been used, having appropriately recognised professional qualifications and experience in the location and category of property being valued. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after appropriate marketing efforts.

#### Valuation techniques used to derive level 2 fair values

In the absence of current prices in an active market, the valuations are prepared using observable rental value of the properties. A market yield is applied to the rental value to arrive at the gross property valuation.

Investment property comprises a number of commercial properties that are leased to third parties. Subsequent renewals are negotiated with the lessee. No contingent rents are charged. The range of yields applied to the net annual rentals to determine fair value of property, for which current prices in an active market are unavailable, is as follows:

#### Retail and Offices

	2016	Yields 2015
Queenstown New Zealand	4.24% - 5.504%	4.50% - 5.50%

### 21. EQUITY ACCOUNTED INVESTEEES

The Group's share of profit in its equity accounted investees for the year was \$555,105 (2015: \$455,280). Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group:

	Ownership	Current Assets	Non- current Assets	Current Liabilities	Non- current Liabilities	Equity	Revenues	Expenses	Total Comprehensive Income	Group Share of Profit
<b>2016 (\$000's)</b>										
The Station Ltd	50%	931	52	775	0	208	6,866	6,755	111	55
Dunedin Casinos Ltd	33%	2,506	6,001	2,359	0	6,148	16,938	14,878	2,060	680
<b>2015 (\$000's)</b>										
The Station Ltd	50%	923	40	746	0	216	7,564	7,437	127	63
Milford Sound Flights Ltd	50%	1,578	3,500	328	3,600	1,150	2,867	3,265	(398)	(199)
Dunedin Casinos Ltd	50%	2,783	5,718	2,316	0	6,185	16,285	14,494	1,791	591

## Notes to the accounts continued

### Movements in Carrying Value of Equity Accounted Investees:

	2016	2015
Balance 1st April	\$10,858,326	\$11,225,546
Share of Profit/(Loss)	555,105	455,280
Less Interest, Dividends received	-693,193	-742,500
Capital Repaid	-60,000	-80,000
Acquisition of Subsidiary	-1,690,652	0
Balance 31st March	<u>\$8,969,586</u>	<u>\$10,858,326</u>

Dividends were received from Dunedin Casinos Limited.

## 22. EARNINGS PER SHARE

### a) Basic Earnings Per Share

The calculation of basic earnings per share at 31 March, 2016 was based on the profit attributable to ordinary shareholders of \$52,511,173 (2015: \$51,817,038) and a weighted average number of ordinary shares outstanding of 34,137,379 (2015: 34,137,379) calculated as follows:

### Profit Attributable to Ordinary Shareholders

	Total 2016	Total 2015
Net Profit for the Period	52,511,173	51,817,038
Net Profit Attributable to Ordinary Shareholders	52,511,173	51,817,038

### Weighted Average Number of Ordinary Shares – Basic Calculation

	Note	2016	2015
Issued Ordinary Shares 31st March	5	34,137,379	34,137,379

### b) Diluted Earnings Per Share

The calculation of diluted earnings per share at 31 March 2016 was based on the diluted earnings of \$52,511,173 (2015: \$51,817,038) and a diluted number of shares of 34,137,379 (2015: 34,137,379) calculated as follows:

### Diluted Earnings

	Note	Total 2016	Total 2015
Net Profit for the Period		52,511,173	51,817,038
Diluted Earnings		<u>52,511,173</u>	<u>51,812,238</u>

### Weighted Average Number of Ordinary Shares – Diluted Calculation

	Note	2016	2015
Issued Ordinary Shares 31st March	5	34,137,379	34,137,379

## Notes to the accounts continued

### 23. INTANGIBLE ASSETS

	Goodwill		Licences and Concessions		Computer Software		Total Intangibles	
	2016	2015	2016	2015	2016	2015	2016	2015
<b>Cost</b>								
<b>On 1 April</b>	78,578,200	78,578,200	29,704,414	29,704,414	0	0	108,282,614	108,282,614
On Acquisition of Christchurch Airport iSite	150,000	0	0	0	0	0	150,000	0
<b>Balance 31 March</b>	78,728,200	78,578,200	29,704,414	29,704,414	0	0	108,432,614	108,282,614
<b>Amortisation</b>								
On 1 April	11,825,000	11,825,000	10,140,852	5,923,684	0	0	21,965,852	17,748,684
Amortisation for the year Totally Tourism Group	0	0	489,168	489,168	0	0	489,168	489,168
Amortisation for the year Christchurch Casino		0	3,728,000	3,728,000	0	0	3,728,000	3,728,000
<b>Balance 31 March</b>	11,825,000	11,825,000	14,358,020	10,140,852	0	0	26,183,020	21,965,852
Work In Progress	0	0	0	0	1,866,787	0	1,866,787	0
<b>Carrying Amount</b>								
<b>Balance 31 March</b>	\$66,903,200	\$66,753,200	\$15,346,394	\$19,563,562	\$1,866,787	\$0	\$84,116,381	\$86,316,762

The goodwill balances with indefinite lives are allocated to the Group's cash generating unit (CGU) as follows.

Christchurch Casinos Ltd	\$66,753,200
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The recoverable amount of the CGU is determined based on value in use calculations. These calculations used a five year cash flow projection using management's budgets, approved by directors, which reflect the current operating conditions and trading performance of Christchurch Casino and assumed a growth rate of 2% - 3% per annum. The growth rate does not exceed the long term average growth rate of the business in which the CGU operates. There is a surplus between the carrying values of indefinite life assets and value in use calculations.

The discount rate used in the current estimate of goodwill was 7.38%. The discount rate is pre-tax and reflects specific risks to the relevant operating segment. These assumptions are consistent with past experience adjusted for economic indicators. The Group believes that no reasonably possible change in any of the above key assumptions would reduce the carrying value of goodwill to be materially lower than its recoverable amount.

### 24. ACQUISITION OF SUBSIDIARY

#### MILFORD SOUND FLIGHTS LIMITED

On 31st May 2015 the Group acquired Milford Sound Flights Limited by acquiring the shares held by Real Journeys Limited. As a result the Group's equity interest in Milford Sound Flights Limited increased from 50% to 100%.

Milford Sound Flights Limited is part of the Totally Tourism Group. It operates in the Tourism Industry as a fixed wing aircraft scenic flight operator.

The acquisition is expected to add value to the Group in future years and the principal areas of operation are consistent with the Groups strategy of establishing and consolidating its presence in key South Island tourist locations.

In the ten months to 31 March 2016, Milford Sound Flights contributed revenue of \$2,784,796 and profit before taxation of \$310,168 to the group results. If the acquisition had occurred on 1st April 2015 management estimates that consolidated revenue would have been \$181,240,616 and consolidated profit before taxation for the year would have been \$65,749,801. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1st April 2015.

## Notes to the accounts continued

The following summarises the major classes of consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

### Consideration Transferred

	2016
Cash	\$1,690,652

### Identifiable Assets Acquired and Liabilities Assumed

	Note	2016
Property Plant and Equipment	10	2,304,133
Inventories		193,906
Trade and Other Receivables		119,186
Cash and Cash Equivalents		950,330
Taxation		5,278
Trade and Other Payables		-98,777
Employee Entitlements		-92,752
Total identifiable net assets		\$3,381,304

### Licences, Concessions and Goodwill

Recognised as a result of the acquisition as follows:

	2016
Consideration transferred	1,690,652
Add Value 50% pre-owned based on transaction value	1,690,652
	3,381,304
Less Fair value of identifiable net assets	3,381,304
	\$Nil

The re-measurement to fair value of the Group's existing 50% effective interest in Milford Sound Flights Limited resulted in a gain of \$Nil which has been recognised in the Consolidated Statement of Comprehensive Income.

### Acquisition-related costs

The Group incurred acquisition related costs of \$1,396 related to external legal fees. These costs have been included in administrative expenses in the Group's consolidated statement of comprehensive income.

## 25. OTHER EVENTS

### Korean Luge

The Company has entered into an agreement to lease with the City of Tongyeong-Si in the Republic of Korea for a chairlift and Luge facility subject to the Company securing the appropriate licences and permits.

The proposed lease term is 30 years from the date of commencement of operations with renewal options at each five yearly interval. Rental is calculated as a percentage of Luge ticket sales and as turnover figures will be unknown then obligations under the lease cannot be determined.

The Company estimates total development costs to be in the order of \$25 million New Zealand Dollars. The Company has identified that the estimated development cost is exposed to currency risk, primarily with respect to the South Korean Won. To manage its exposure to currency risk, the Company is adopting an appropriate hedging strategy that is linked to the tendering process stage and the reliability of estimated costs. The hedging strategy may include the use of South Korean Won denominated funding, direct purchase of foreign currency, purchase of forward foreign exchange contracts or request tenders be submitted in New Zealand Dollars.



## Other Financial Information

### REMUNERATION OF DIRECTORS

Directors' remuneration and other benefits received, or due and receivable during the year is as follows:

	Consolidated	Parent Company	Totally Tourism Ltd	Christchurch Casino Limited
M Quickfall – Chairman	183,000	133,000	50,000	0
G H Hensman	98,000	73,000	25,000	0
P J Hensman	73,000	33,000	0	40,000
R B Thomas	58,000	58,000	0	0
J N Hunt	53,000	53,000	0	0
D N Jackson *	98,000	58,000	0	40,000
K J Matthews - Independent Chairman	105,000	0	25,000	80,000
A B Ryan – Independent Director	40,000	0	0	40,000
	<u>\$708,000</u>	<u>\$408,000</u>	<u>\$100,000</u>	<u>\$200,000</u>

\* Directors fees are paid to McCulloch and Partners, Chartered Accountants.

### Directors' Indemnity and Insurance

The Company has indemnified its Directors for their actions in their capacity as Directors of the Company to the extent permitted by section 162 of the Companies Act 1993. The Company has also insured its Directors against liabilities to other parties (except the Company or a related party of the Company) that may arise from their positions as Directors. The insurance does not cover liabilities arising from criminal actions.

### REMUNERATION OF EMPLOYEES

There were twenty two employees who received remuneration and any other benefits in their capacity as employees, in excess of \$100,000 for the year, as follows:

Number of Employees	Bracket
6	\$100,000 - \$110,000
2	\$110,000 - \$120,000
5	\$120,000 - \$130,000
2	\$140,000 - \$150,000
1	\$150,000 - \$160,000
2	\$180,000 - \$190,000
1	\$190,000 - \$200,000
1	\$220,000 - \$230,000
1	\$430,000 - \$440,000
1	\$440,000 - \$450,000

### ENTRIES IN INTERESTS REGISTER DURING FINANCIAL YEAR

#### a) Directors' Interests

The following transactions were entered into by Directors of the Company during the year:

During the year Skyline Enterprises Limited and its subsidiaries:

- Paid Southern Beaver Limited for consulting contracting and heavy machinery services – a company in which Mr G H Hensman, a Director, has an interest.
- Paid Bookme Limited for online booking services – a company in which Mr R B Thomas, a Director, has an interest.
- Paid fees to McCulloch and Partners Chartered Accountants for professional services – Mr D N Jackson, a Director, is a partner in McCulloch and Partners.

## Other Financial Information continued

All of these transactions were provided on normal commercial terms.

### b) Share Dealing by Directors

Directors disclosed the following on market purchases of ordinary shares under Section 148(2) of the Companies Act 1993 for the year to 31 March 2016

Director	Number of Shares	Consideration Paid per Share	Date	Nature of Transaction
M Quickfall	214,342	\$13.10 - \$17.00	30/06/2015 – 21/03/2016	Purchase by associated party

### c) Use of Company Information

During the year the Board received no notices from Directors of the Company requesting to use Company information received in their capacity as Directors which would not otherwise have been available to them.

## Financial Highlights

	2016	2015	2014	2013	2012
Total Operating Revenue	187,550,548	169,737,986	156,973,991	102,781,771	74,839,805
Operating Surplus	66,814,609	63,353,245	52,847,515	17,256,823	25,617,449
Taxation Provision	14,858,541	11,991,487	13,094,231	7,514,050	10,073,807
Net Profit After Taxation	52,511,173	51,817,038	40,263,332	65,054,208	20,271,016
Shareholders' Funds	321,355,974	282,853,548	243,315,971	215,924,787	162,537,407
Dividend per share (cents)	55	42	37	37	34
Total Dividends Payable	18,775,558	14,336,439	12,614,735	12,597,678	11,566,724
Earnings to Shareholders Funds	16.34%	18.44%	16.5%	30.1%	12.5%
Net Asset Backing per					
Ordinary Share	\$11.45	\$8.28	\$7.10	\$6.33	\$4.77
Wages Paid	49,532,967	45,047,912	41,890,027	24,299,316	16,178,489
Share Price	\$17.10	\$12.75	\$10.80	\$8.45	\$6.15

## INTERESTING FACTS

	2016	2015	2014	2013	2012
<b>Number of Cableway Passengers</b>					
Queenstown	786,696	682,555	600,615	556,364	498,768
Rotorua	558,549	494,200	442,104	429,400	391,932
<b>Number of Diners</b>					
Queenstown	226,664	196,768	170,941	149,830	123,756
Rotorua	179,897	142,572	128,528	115,694	84,366
<b>Average Annual Occupancy</b>					
Blue Peaks Lodge	75%	71%	62%	53%	55%
Leisure Lodge	70%	74%	70%	65%	67%

## SHAREHOLDING STATISTICS

### Distribution of Shareholders and Shareholdings

Size of Holding	Holders	Shares	%
0 – 19,999	595	4,318,224	12.65%
20,000 – 69,999	120	4,199,610	12.30%
70,000 – 199,999	33	3,549,765	10.40%
200,000 – 499,999	18	4,758,082	13.94%
500,000 +	16	17,311,698	50.71%
Total	782	34,137,379	100%

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Skyline Enterprises Limited

**Report on the Financial Statements**

We have audited the group financial statements of Skyline Enterprises Limited ("the Company") and its subsidiaries ("the Group") on pages 16 to 47, which comprise the Consolidated Statement of Financial Position as at 31 March 2016, the Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows for the year then ended of the Group, and a summary of significant accounting policies and other explanatory information.

*Directors' Responsibility for the Financial Statements*

The directors are responsible on behalf of the entity for the preparation and fair presentation of the financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). 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 and fair presentation of the financial statements 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.

Principals and employees of our firm deal with the company and group on normal terms within the ordinary course of trading activities of the business of Skyline Enterprises Limited. The firm has no other interests in the Company and Group.

*Opinion*

In our opinion, the financial statements on pages 16 to 47 present fairly, in all material respects, the financial position of the Group as at 31 March 2016 and the financial performance and cash flows of the Group for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Crowe Horwath New Zealand Audit Partnership  
CHARTERED ACCOUNTANTS  
8 July 2016



## Company Operations

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### **ACCOMMODATION AND BOOKING AGENTS (QUEENSTOWN) LIMITED HEAD OFFICE**

Chief Executive Officer: Jeff Staniland  
Group Manager Human Resources – Maree Aoke  
Manager – International Luge: Danny Luke  
Company Administration  
Phone: 03 441 0377  
Fax: 03 441 0394  
E-mail: [info@skyline.co.nz](mailto:info@skyline.co.nz)  
Mail: P O Box 17, Queenstown

### **SKYLINE ENTERPRISES LIMITED**

General Manager: Lyndon Thomas  
Trading as Skyline Gondola, Restaurant & Luge  
Cableway Operators  
Restaurant and Catering Facilities  
Souvenir Sales  
Luge Tracks  
Function Conference Facilities

### **NORTH SKY LUGE (TREMBLANT) LIMITED**

Vice President: Jason Blair  
Luge Track, Mont Tremblant, Quebec, Canada

### **NORTH SKY LUGE LIMITED**

New Zealand parent company for overseas Luge operations

### **SKYLINE TOURS LIMITED**

Managers: Michael & Anne McMillan  
Trading as Blue Peaks Lodge and Blue Peaks  
Apartments  
Motels - Serviced and Kitchen  
Family Accommodation  
Apartments – Fully self contained and serviced

### **LEISURE LODGE MOTOR INN LIMITED**

Manager: Jan McDougall  
A Dunedin Hotel trading as Mercure Leisure Lodge  
Accommodation  
Restaurant and Bar Facilities  
Conference Facilities

### **SKYLINE SKYRIDES LIMITED**

General Manager: Bruce Thomassen  
Cableway Operators  
Restaurant and Catering Facilities  
Luge Tracks  
Function Conference Facilities

### **QUEENSTOWN TOURIST COMPANY LIMITED**

Investment Company

### **CHRISTCHURCH CASINOS LIMITED**

Chief Executive: Brett Anderson  
Christchurch Casino Operator

### **DUNEDIN CASINOS LIMITED**

Dunedin Casino Operator  
Christchurch Casinos Limited retains a 33% shareholding in Dunedin Casinos Limited

### **FAIRY SPRINGS HOLDINGS LIMITED**

Non operating subsidiary

### **SENTOSA LUGE COMPANY PTE LIMITED**

Manager: Ryan Williams  
Luge track  
Sentosa Island, Singapore

### **SKYLINE INVESTMENTS LIMITED SKYLINE PROPERTIES LIMITED O'CONNELLS PAVILION LIMITED**

Property Manager: Bob Dennison  
Holding companies for the Group's central Queenstown commercial property portfolio

## Company Operations continued

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### TOTALLY TOURISM LIMITED

General Manager: Simon Barr  
Company Administration  
Harris Mountain Heli-skiing  
Challenge Rafting

### THE HELICOPTER LINE

Helicopter Operations

### GLACIER HELICOPTERS LIMITED

Helicopter Operations

### MITRE PEAK CRUISES LIMITED

Cruise Boat Operations, Milford Sound

### AIR FIORDLAND LIMITED

Scenic Flight Sales

### WANAKA FLIGHTSEEING (2006) LIMITED

Scenic Flight Sales

### THE STATION LIMITED

Tourism Booking and Sales Office  
Totally Tourism Limited retains a 50% shareholding in The Station Limited

### MILFORD SOUND SCENIC FLIGHTS LIMITED

Scenic Flight Sales

### MILFORD SOUND FLIGHTS LIMITED

Fixed Wing Scenic Flight Operations

### NORTH SKY LUGE NUMBER 2 LIMITED

New Zealand Parent Company of North Sky Luge (Calgary) Limited

### NORTH SKY LUGE (CALGARY) LIMITED

Manager: Mat Carson  
Luge Track  
Calgary, Alberta, Canada

## New Zealand Company Contacts

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### SKYLINE ENTERPRISES

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### SKYLINE ROTORUA

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Email: [enquiries@skylineskyrides.co.nz](mailto:enquiries@skylineskyrides.co.nz)

### BLUE PEAKS LODGE

PO Box 17, (corner Stanley & Sydney Streets)  
QUEENSTOWN, New Zealand  
Tel: (64) +3 441 0437  
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### BLUE PEAKS APARTMENTS

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### MERCURE LEISURE LODGE

PO Box 8024, (Duke Street)  
DUNEDIN, New Zealand  
Tel: (64) +3 477 5360  
Fax: (64) +3 477 5460  
Email: [reservations@mercureleisurelodge.co.nz](mailto:reservations@mercureleisurelodge.co.nz)

### SKYLINE INVESTMENTS

#### SKYLINE PROPERTIES O'CONNELLS PAVILION

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### TOTALLY TOURISM

PO Box 634 (29 Lucas Place)  
QUEENSTOWN, New Zealand  
Tel: (64) +3 441 4540  
Fax: (64) +3 441 4619  
Email: [ttl@totallytourism.co.nz](mailto:ttl@totallytourism.co.nz)

### THE HELICOPTER LINE

PO Box 1530 (29 Lucas Place)  
QUEENSTOWN, New Zealand  
Tel: (64) +3 442 3034  
Fax: (64) +3 442 3529  
Email: [queenstown@helicopter.co.nz](mailto:queenstown@helicopter.co.nz)

### GLACIER HELICOPTERS

PO Box 34, (Main South Road SH6)  
FRANZ JOSEF, New Zealand  
Tel: (64) +3 752 0755  
Fax: (64) +3 752 0778  
Email: [helibasemgr@glacierhelicopter.co.nz](mailto:helibasemgr@glacierhelicopter.co.nz)

### MITRE PEAK CRUISES

PO Box 1851, (Visitor Terminal, Milford Sound)  
QUEENSTOWN, New Zealand  
Tel: (64) +3 249 8110  
Fax: (64) +3 249 8113  
Email: [info@mitrepeak.com](mailto:info@mitrepeak.com)

### CHRISTCHURCH CASINO

PO Box 4141, (Victoria Street)  
CHRISTCHURCH, New Zealand  
Tel: (64) +3 365 9999  
Fax: (64) +3 366 8888  
Email: [contact@christchurchcasino.co.nz](mailto:contact@christchurchcasino.co.nz)







**49TH ANNUAL REPORT**  
AND STATEMENT OF ACCOUNTS  
OF SKYLINE ENTERPRISES LIMITED  
AND ITS SUBSIDIARY COMPANIES