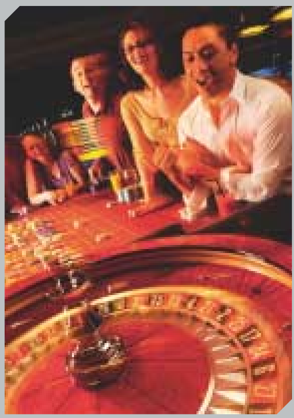
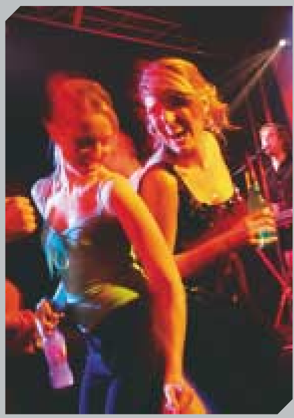
SKYCITY
ENTERTAINMENT GROUP





SKYCITY 24/7 EXPERIENCE

SKYCITY Entertainment Group Limited Annual Report 2004

Current and historical financial information, governance statements, news releases and other corporate information is available online at www.skycitygroup.co.nz

THE 2004 ANNUAL MEETING OF SKYCITY ENTERTAINMENT GROUP LIMITED WILL BE HELD IN THE NEW ZEALAND ROOM, SKYCITY AUCKLAND CONVENTION CENTRE, 88 FEDERAL STREET, AUCKLAND, ON FRIDAY 29 OCTOBER 2004, COMMENCING AT 10:00AM.

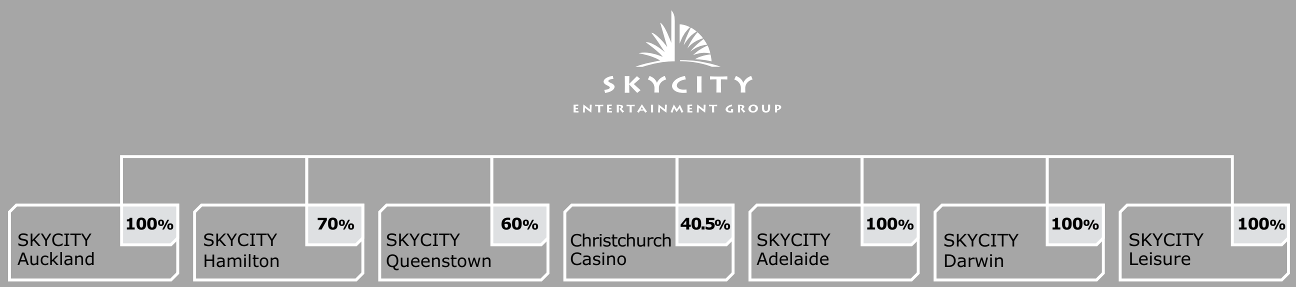
THE NOTICE OF MEETING, INCLUDING THE AGENDA, WILL BE MAILED TO SHAREHOLDERS ON 12 OCTOBER 2004.

The board of directors is pleased to present the Annual Report of SKYCITY Entertainment Group Limited for the year ended 30 June 2004. For, and on behalf of, the board:

Rod McGeoch
Chairman

Evan Davies
Managing Director

28 September 2004



FINANCIAL SUMMARY

$121.1 MILLION

net surplus after tax and before non-recurring item, up 13%

Year ended 30 June	2004	2003	Change (%)
Sales Revenues	$591m	$556m	+6%
EBITDA[1]	$263m	$252m	+4%
Net Surplus after tax	$121.1m[2]	$107.2m	+13%
Earnings per share	29.0cps[2]	25.5cps	+14%
Dividends per share	26.5cps	23.5cps[3]	+13%

1 Earnings before interest, tax, depreciation and amortisation
2 Before non-recurring item: Canbet write-off of $20.9m
3 Excluding special dividend of 10cps paid November 2002

CONTENTS

KEY FEATURES OF THE 2004 RESULT

- $121.1m NSAT before $20.9m write-off of Canbet shareholding (to nil value)
- Final dividend for FY2004 of 15.5cps (fully-imputed) payable to shareholders on 8 October 2004
- SKYCITY Auckland strong in 1H04 but constrained in 2H04 by note acceptor restriction from mid-March (2004). Corrective measures now in place to restore gaming machine revenue patterns
- Significant uplift in SKYCITY Adelaide performance in 2H04 after a somewhat disappointing first half. Adelaide redevelopment project will enhance revenue prospects from 4Q05
- Strong performance by SKYCITY Hamilton continued
- Continued growth in cinema revenues for SKYCITY Leisure. Full takeover will enable growth opportunities to be realised
- Outperformance YTD by SKYCITY Darwin has lowered the acquisition multiple
- Tax charge lower in FY2004 due to Leisure tax benefits crystallised by SKYCITY takeover
- FY2005 prospects look strong, subject to impact of non-smoking legislation in New Zealand.

Rod McGeoch, Chairman

CHAIRMAN'S REPORT

I AM PLEASED TO PRESENT MY FIRST REPORT TO SHAREHOLDERS AS CHAIRMAN OF SKYCITY ENTERTAINMENT GROUP LIMITED. THIS HAS BEEN AN EXCITING AND CHALLENGING YEAR FOR THE COMPANY, DURING WHICH THE BUSINESS HAS EXPANDED AND STRENGTHENED.

A DIVERSIFIED, TRANS-TASMAN, ENTERTAINMENT BUSINESS

SKYCITY has become a truly trans-Tasman company with approximately 30% of revenues projected to be derived from the company's Australian operations during the 2004/05 financial year.

The SKYCITY business is well balanced in terms of both its gaming and entertainment offerings and its geographical spread of operations. SKYCITY offers a wide range of entertainment opportunities for customers, strong returns for its shareholders, growth and development opportunities for its staff and a high level of confidence for its regulators, both in terms of compliance and a proactive approach to harm minimisation.

In Australia, SKYCITY has commenced a major upgrade of its Adelaide property - to be completed over a three to four year period - and has acquired the Darwin casino and hotel.

In New Zealand, SKYCITY acquired a 40.5% shareholding in the Christchurch casino, increased its shareholding in the SKYCITY Hamilton operation from 55% to 70% and completed the full takeover of SKYCITY Leisure Limited, increasing SKYCITY's ownership from 74% to 100%.

INVESTMENT EXPERIENCE

Since July 2002, SKYCITY shareholders have enjoyed a 32% per annum pretax return on their investment. This compares very favourably to the NZSX 50 average of 15% per annum for the same period.

SKYCITY's board, management and staff have worked throughout the year to enhance the operating performance of the business and to continue to position the company for the future. At all times, SKYCITY's objective has been to create value for shareholders through earnings growth and effective capital management.

The SKYCITY Convention Centre which was officially opened in July 2004, is a major investment by the company in Auckland's visitor and business infrastructure, which will provide significant benefits to both SKYCITY and to the Auckland region for many years. The company also looks forward to completion of the new five star SKYCITY Grand Hotel which is expected to be ready for guests in April/May 2005. The SKYCITY Grand, when combined with the existing SKYCITY Hotel, will mean that 660 hotel rooms will be available on the SKYCITY site in central Auckland, making the combination the largest hotel complex at one location in New Zealand.

In early 2004, SKYCITY completed negotiations with its lending syndicate, comprising ANZ, CBA and BNZ, for the extension of its senior credit facility from NZ$550 million to $1.0 billion. This extended facility has enabled the acquisition activity undertaken during 2003/04 to be completed without any equity dilution for existing shareholders and with financial covenants and gearing ratios well positioned in terms of capital efficiency and balance sheet prudence.

During the year, as part of the company's continuing focus on capital management, SKYCITY also completed a $40 million on-market share buyback, initiated in February 2003 and completed in November 2003. In November 2003, the company split its shares on a 2:1 basis for a second time, having also split two years earlier, in November 2001.

SKYCITY continues to be committed to providing value for shareholders and the company's dividend stream is an integral component of this focus. The board has maintained its 90% dividend payout ratio since operations commenced in 1996 and there is no current intention or expectation that this policy will be varied. The SKYCITY dividend stream (26.5 cents per share for the 2004 financial year) continues to provide shareholders with an excellent return on their investment.

COMMUNITY COMMITMENT AND INVOLVEMENT

Host responsibility and harm minimisation are important obligations for gaming and entertainment operators and the board continues to place a high priority on these aspects of the business. SKYCITY has always taken a proactive stance on matters relating to problem gambling and the responsible service of alcohol and the new legislative initiatives are, to a significant extent, catching up to the leval at which SKYCITY has been operating for some time. We welcome the harm minimisation regulations announced recently in New Zealand, as the issues relating to risk of harm for a small percentage of the population are of as equal concern to our business as they are to government and the social agencies involved.

SKYCITY's commitment to the communities in which it operates continues to be reflected in the grants made by the SKYCITY charitable trusts in New Zealand, with $3.8 million donated to a range of charitable and community projects in the Auckland, Waikato/Bay of Plenty and Queenstown/Southern Lakes regions during the 2003/04 year. A range of community support projects have been undertaken in Adelaide and we envisage a similar approach in Darwin.

GOVERNANCE

SKYCITY remains committed to international corporate governance best practice and this annual report identifies a very high level of

CHAIRMAN'S REPORT CONTINUED

compliance with the key governance requirements and recommendations for New Zealand and Australian listed companies.

SKYCITY's governance practices are incorporated in the Board Charter which is available on the company's website at www.skycitygroup.co.nz under the Investor Centre sub-section. The Board Charter was fully updated in late 2003 and has been a substantive point of reference for the board's governance processes during the 2004 financial year.

The board has worked to ensure that the company's internal governance mechanisms are not only well understood throughout the organisation and are comprehensive in nature, but are also efficient and effective in their application. On behalf of the board, I can confirm that the company's internal governance mechanisms are indeed comprehensive and effective.

DIRECTORS

Jon Hartley retired as chairman and as a director of the company after eight years in office on 31 March 2004, having provided leadership of the company since the opening of the business in Auckland in February 1996. The directors thank Jon for his valuable contribution and commitment to SKYCITY through this period of significant growth and expansion.

Consequent to Jon's decision to retire, I was delighted to be invited by my fellow directors to become chairman of what has become, in only a relatively short space of time, one of Australasia's major companies.

I wish to acknowledge the contribution and support of my fellow directors, whose experience and expertise in business matters in general, and SKYCITY matters in particular, has been of great assistance in my initial term as chairman of the company.

In January this year, we were saddened to hear of the untimely death of Sir Peter Elworthy, SKYCITY's founding chairman and a director until 2002. Sir Peter had seen SKYCITY grow from a single-site Auckland operation to a multi-site trans-Tasman business and he was very proud to have been associated with this achievement. Excellence in governance was a matter of importance to Sir Peter and, on behalf of the board, I would like to formally acknowledge Sir Peter's significant contribution to SKYCITY over a period that extended from licence application in 1991 through to his retirement at the 2002 annual meeting.

On 31 October 2003 the board welcomed Sir Dryden Spring as a director and looks forward to Sir Dryden's continuing contribution to board matters. I can advise shareholders that the board is currently well advanced in the somewhat lengthy process of securing the services of a new director. We hope to be able to announce this appointment in the near future, following receipt of the requisite regulatory approvals in the three gaming jurisdictions in which SKYCITY operates.

The board conducted a formal review of its own performance during the August/October period last year. It is our intention that the board will formally review its performance on an annual basis and the next review is scheduled for November/December 2004.

The SKYCITY board is well balanced in terms of expertise and experience and, as a consequence, board debate has been effective and robust. The company has, during the last 12 months, made a number of significant investment decisions which have been intensively evaluated by the board. Whilst there has been some external sentiment that the company's rate of growth through acquisition may have been too rapid, I can assure shareholders that each decision has been rigorously scrutinised prior to committing the company's resources. Whilst it is early in the period for a number of the new investments, the board is confident that the required returns on funds invested will be achieved.

REGULATORY

During the 2003/04 year the Gambling Act became the governing legislation for gaming activities in New Zealand. SKYCITY welcomes the new legislation, which updates the legal requirements and provides a clear framework within which gaming activities can be conducted.

The company has implemented a number of initiatives to assist smoking customers when the Smokefree Environments Act becomes law in New Zealand on 10 December 2004. The revenue impact of this legislation on SKYCITY's New Zealand business operations is expected to be negative initially but then to gradually abate over the subsequent 12 month period.

The board is confident that, once SKYCITY has worked through the smoke-free issues with its customers, revenue patterns in New Zealand will return to normal trends in FY06 and beyond.

ACCOUNTING AND REPORTING

In last year's annual report, SKYCITY committed to early adoption of International Financial Reporting Standards and planning is well advanced for this to happen in the 2006 financial year. The company's first set of IFRS financial statements will be the FY06 interim accounts for the six-month period ending 31 December 2005.

TRANS-TASMAN CO-OPERATION

As readers of this annual report may be aware, I have a high respect for the business successes being achieved by New Zealand companies and I am a strong supporter of enhanced trans-Tasman co-operation and alignment between Australia and New Zealand. I believe there are significant advantages to be achieved from integration of business and workplace standards and regulations, into a single set of uniform controls and incentives within which the two Tasman neighbours can develop their joint and several interests.

I firmly believe that closer harmonisation will create significant advantages for the communities and economies of both countries and can be of significant benefit to New Zealand and Australian businesses, such as SKYCITY.

As SKYCITY's sole Australian-based director and a member of the Trans-Tasman Business Advisory Council, I will continue to push for a more closely aligned economic, social and business infrastructure for our two countries. I believe that if we can make advances in this area this will be of significant benefit to corporate shareholders on both sides of the Tasman.

LOOKING FORWARD

In his 2003 Chairman's report, Jon Hartley referred to expansion opportunities facing the company and I am pleased to confirm that these opportunities have been secured. The company is well diversified across a number of jurisdictions within Australasia, has significant revenue opportunities ahead of it from both existing and new assets, and has demonstrated clearly that its financial resources are organised effectively to enable it to capitalise on those opportunities in the optimum manner.

The board continues to be very encouraged by the willingness of SKYCITY's management and staff to embrace new business opportunities whilst at the same time maintaining a tight focus on the important existing revenue streams upon which the company's results to date have been built.

This combination of operational efficiency and growth optimisation, together with a continuing flow of excellent returns to shareholders, means that SKYCITY can look forward to the future with confidence.

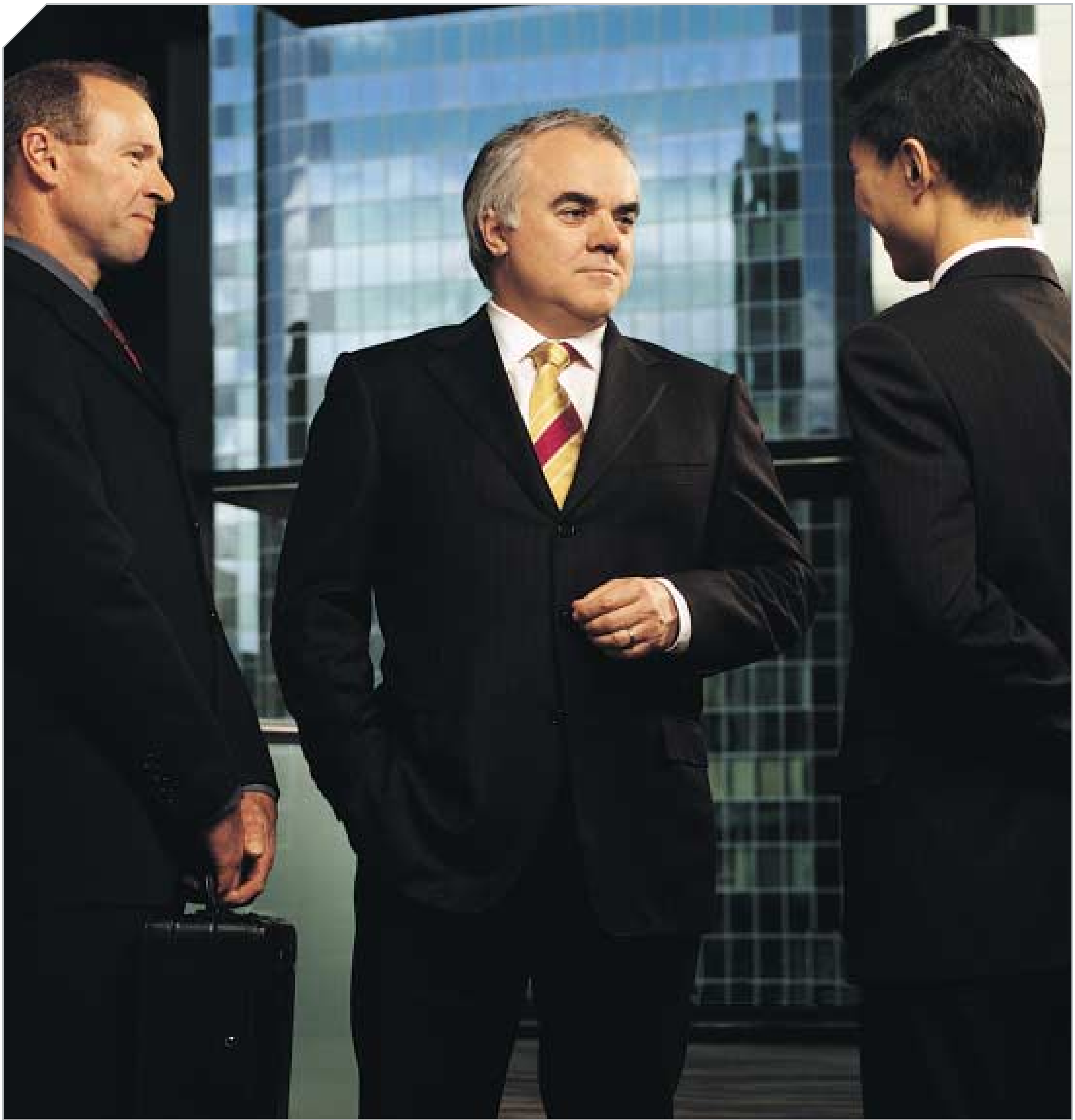
SKYCITY is a much larger enterprise than it was when Jon Hartley presented his first Chairman's report in 1996 and in another eight years from now, the company will be very different again. A clear direction has been set, there are significant opportunities available and the outlook for the company is both optimistic and exciting.

Shareholders have enjoyed and have come to expect increasing returns from SKYCITY and it remains our priority, as the board of the company, to ensure that those expectations continue to be met and, wherever possible, exceeded.

Rod McGeoch
CHAIRMAN

NEW EXPERIENCES

In 2004, SKYCITY acquired the Darwin casino and hotel in Australia and a 40.5% shareholding in New Zealand's Christchurch Casino. The company also commenced stage one of a significant redevelopment of the SKYCITY Adelaide complex.



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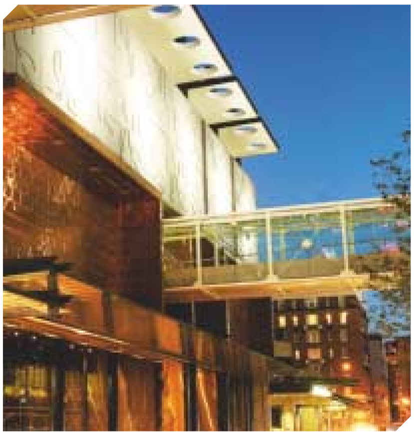
SKYCITY Entertainment Group is a 24 hour per day, seven day per week business, operating in multiple time zones and employing more than 5,000 staff. At any time, of any day, thousands of customers are enjoying a SKYCITY experience.

Evan Davies, Managing Director

MANAGING DIRECTOR'S REVIEW

SKYCITY'S 2003/04 FINANCIAL YEAR WAS CHARACTERISED BY CONTINUATION OF STRONG CASH-BASED EARNINGS FLOWS AND A SIGNIFICANT SERIES OF EXPANSION INITIATIVES IN THE GROUP'S CORE BUSINESS OF GAMING AND ENTERTAINMENT, WITHIN THE AUSTRALASIAN REGION.



At SKYCITY, we regard New Zealand and Australia as our home markets and our business activities are now well established on both sides of the Tasman.

A series of acquisitions were announced during the 2003/04 year, the realisation of which sees SKYCITY well placed to continue to grow revenues and earnings into the future.

In New Zealand, it is expected we will experience a negative impact on visitation as some of our customers react to the smokefree requirements, which apply from 10 December 2004. The Smokefree Environments Act will impose a strict non-smoking regime on all internal venues and other enclosed spaces. However, we believe that the adverse impacts of the smoking bans will abate over a 12-month period - as has been the case in Australia - and expect that, after 12 months, revenue growth patterns will have returned to normal. It is important to note that SKYCITY's customers will still be able to smoke on-property by accessing open-air decks at the perimeter of gaming areas.

SKYCITY welcomes the new harm minimisation regulations recently announced by the New Zealand government, which bring industry-wide legislative requirements into line with the initiatives we have been undertaking, on a voluntary basis, at all our properties for a number of years.

There will be challenges for our business operations as the new regulatory requirements in each of our jurisdictions are implemented, but we remain confident that the important issues will be able to be resolved for the long-term benefit of the industry and our customers. Further, insofar as the regulatory approach is intended to reduce harm and is effective in doing so, we are not only supportive, but it is our intent to evidence leadership.

GROUP OPERATIONAL PERFORMANCE

2003/04 was another successful year for SKYCITY and its shareholders.

The key elements of the 2003/04 SKYCITY result were a 13% increase in net surplus after tax (and before non-recurring item) to $121.1 million and, as a consequence, a lift in dividends to 26.5 cents per share fully-imputed.

Overall the SKYCITY Group increased revenues by 6%, operating earnings by 4%, and dividends (excluding the special dividend paid in November 2002) by 13%.

There were a number of pressure points that necessitated close management during 2003/04, but we believe these have been successfully negotiated. The smokefree requirements will, as previously referred to, limit the growth that would otherwise have been achieved in the New Zealand businesses in 2004/05, but we expect that the 2005 year will nevertheless produce a continuation of the growth in revenues and earnings that has characterised SKYCITY's results over the 8½ years since the business commenced operations in 1996.

MANAGING DIRECTOR'S REVIEW CONTINUED

In the 2004/05 year, SKYCITY Auckland's PLAY casino (and Bar3) will operate for a full 12 months (as compared to seven months in 2003/04), the SKYCITY Auckland Convention Centre will be in operation throughout the financial year, the new Members' Room will be available from early December 2004 and the new SKYCITY Grand Hotel is expected to be fully operational from April/May 2005.

An analysis of the 2003/04 Group result showed strong performance at SKYCITY Auckland, especially once the new PLAY casino and Bar3 facilities became operative in early December 2003. However, upper-end gaming machine players were then adversely impacted by the inconvenience of the $20 note acceptor limitation, imposed under the Gambling Act, from mid-March 2004. The introduction of ticket-based technology from September 2004 should facilitate a return to more normal play patterns among this important customer group.

SKYCITY Adelaide's performance in the first half of the 2003/04 year was somewhat disappointing but its second-half result demonstrated a significant turnaround. However, SKYCITY Adelaide's overall performance will continue to be restricted until the first stages of the redevelopment programme are completed in March 2005. Subsequent stages of the redevelopment are subject to the prevailing regulatory environment justifying further investment. It remains our preferred course of action to proceed with stages two and three of the redevelopment programme, which will enable SKYCITY Adelaide to provide a wider-based, more attractive gaming and entertainment experience, not dissimilar in concept to SKYCITY's Auckland, Hamilton and Darwin properties.

SKYCITY Hamilton has been a success story, with growth in revenues and earnings performance substantially exceeding expectations. Our Hamilton property has quickly developed into the pre-eminent entertainment and hospitality destination for the Waikato region. We were pleased to increase our shareholding in the Hamilton operation, from 55% to 70%, in April 2004.

Acquisition of SKYCITY Darwin was announced in February 2004 and there was initially some external scepticism about the rationale for the acquisition of this property. However, revenues and earnings since February have exceeded expectations and the earnings multiples for this investment are significantly more favourable now than were originally anticipated. As a consequence, we are particularly pleased with the addition of the Darwin property to the SKYCITY operational group and we look forward with confidence to our involvement in Australia's Northern Territory.

Acquisition of a 40.5% shareholding in Christchurch Casino was also announced early in the 2004 calendar year. This core business acquisition in SKYCITY's domestic New Zealand market was generally well received and we are confident that the price paid for this investment will show good returns to SKYCITY shareholders in future years. Christchurch Casino is a well-operated facility and has produced solid results for its shareholders since it opened in late 1994. Revenues and earnings from this property are expected to advance and this investment is anticipated to provide very satisfactory returns for SKYCITY shareholders.

During 2003/04, we consolidated our position in the New Zealand cinema exhibition business, with the full takeover of SKYCITY Leisure Limited (formerly 74%).

The New Zealand cinema business operations continue to perform strongly and there are a range of exciting expansion and growth opportunities available to the company during the next two to three years.

In 2002, SKYCITY wrote down its investment in SKYCITY Leisure by $28 million, as a consequence of obligations relating to its participation in a joint venture business in Argentina. SKYCITY's risk exposure was capped when the financing facilities for Argentina were restructured in February 2002 and since that time the Argentina business has met all its continuing obligations. It is pleasing to report that the 2002 value write-down has been recovered as the company's cinema businesses in New Zealand continue to perform strongly.

We anticipated that the SKYCITY Queenstown operation would better the breakeven threshold in 2003/04 but this was not quite achieved. However, the revenue trends within this business during 2003/04 provide a renewed measure of confidence that a positive earnings performance can be achieved in 2004/05.

SKYCITY originally invested in ASX-listed Canbet in 2000 to secure a strategic investment position within the rapidly developing internet gaming and wagering sector. Whilst internet casino sites have proliferated around the world, it has become clear during the years since 2000 that internet gaming is not a competitive threat to land-based casinos and the strategic rationale for SKYCITY's investment in the online sector has diminished. Canbet, like many other internet sports wagering operations, is experiencing a range of business challenges. The company's financial performance during the 2003/04 year proved extremely disappointing for all shareholders, including SKYCITY.

As a consequence of Canbet's trading difficulties and in anticipation of the proposed merger of Canbet with International All Sports Limited (IAS) of Australia, SKYCITY resolved to write

MANAGING DIRECTOR'S REVIEW CONTINUED

off its investment in this company as at 30 June 2004. If there is a future realisation of value from its anticipated holding in IAS, SKYCITY will reflect any value recovery at that time.

PERFORMANCE CULTURE

SKYCITY has developed a very strong performance-oriented culture within each of its business operations. Remuneration structures within the company are designed to enhance this culture and to reward all personnel for loyalty, commitment and bottom-line results.

The company's salaried personnel performance incentive plan is paid 40% in cash and 60% in shares. As a consequence of this orientation to rewarding a significant component of performance in shares, a large number of SKYCITY personnel have become shareholders in the company and their interests as employees are well aligned to their interests as shareholders. All SKYCITY personnel, salaried or waged, at all properties, are eligible to participate in performance-based remuneration programmes. This participation and involvement in and responsibility for the company's financial results has become a strong driver of behaviours and attitudes within the organisation.

OBJECTIVES FOR 2004/05

At SKYCITY, all staff are committed to achieving the following objectives during the 2004/05 year.

At SKYCITY's New Zealand gaming and entertainment properties, our focus will be on continuing revenue growth in all sectors.

Key considerations include: managing the introduction of the non-smoking regime to optimum effect; managing transition issues associated with the new legislation (the Gambling Act 2003 and associated regulations); in Auckland, capitalising on the opportunities created by the new convention centre; progressing the new Members' facilities and new SKYCITY Grand Hotel projects through to completion in December 2004 and April 2005 respectively; and, continuing to grow the VIP commission play programmes at Auckland and Queenstown.

In Hamilton, our efforts will be focused on consolidating the position established by the business within the Waikato community.

In Christchurch, we will be looking to provide input into the decision-making processes designed to enhance revenues and earnings for that property.

At SKYCITY's New Zealand cinema exhibition operations, our focus will be on growing the cinema earnings and enhancing and expanding the cinema-based offerings available to customers.

At SKYCITY Adelaide, maximising the revenue potential of the new facilities as they are completed will be a primary focus, as will the optimisation of the overall gaming and entertainment positioning of the property within the Adelaide market.

In Darwin, our focus will be on continuing the revenues and earnings momentum evident in the six-month period to 30 June 2004, effecting a smooth transition to SKYCITY ownership/management, expanding local marketing programmes to enhance visitation and spend, and developing incremental revenue streams from VIP commission play.

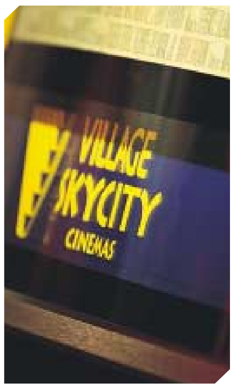
We anticipate a steady flow of revenue and cost initiatives for both SKYCITY's Australian properties (Adelaide and Darwin).

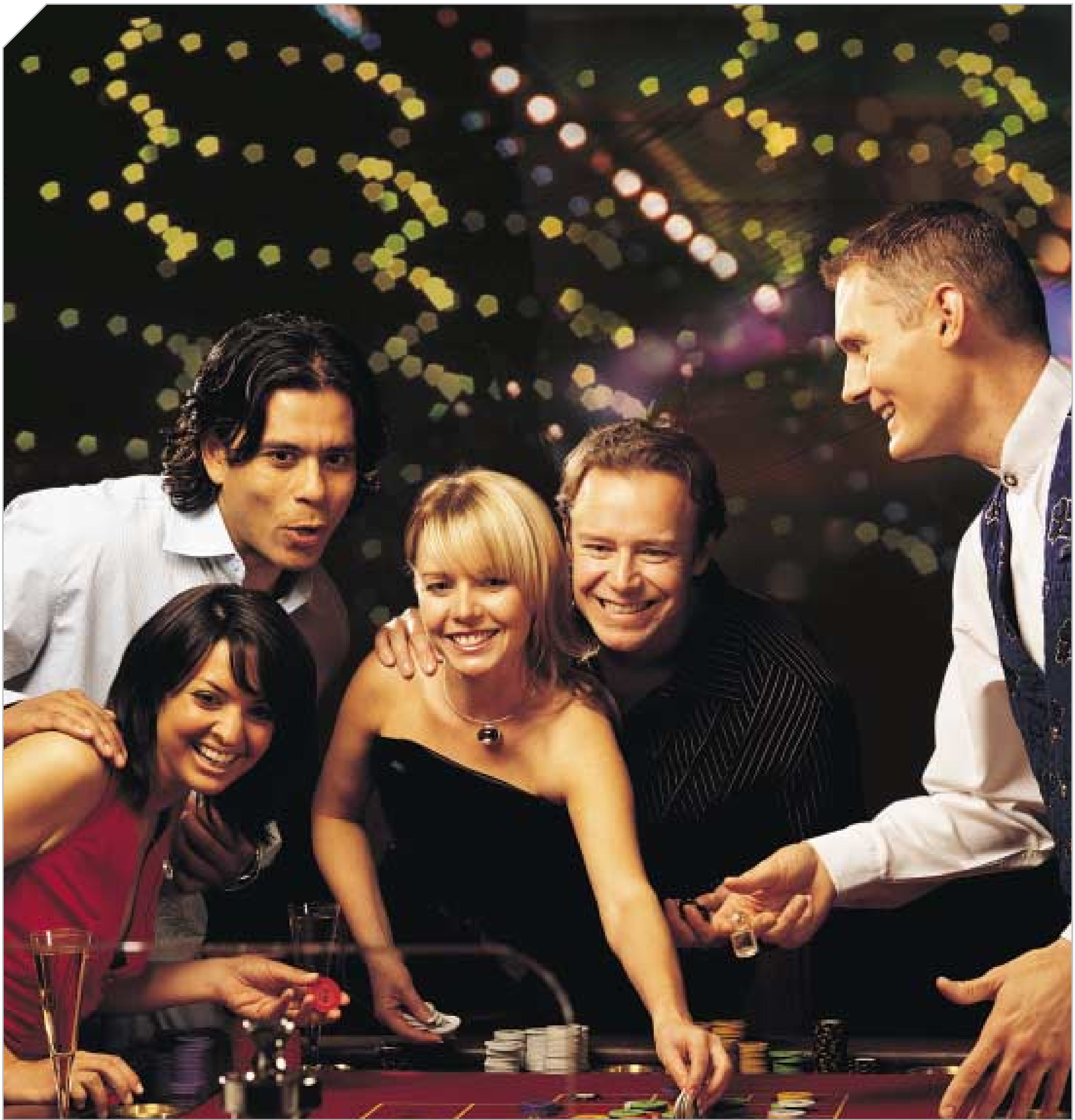
At a corporate level we will continue to evaluate new gaming and entertainment opportunities and ensure that optimum capital efficiency is maintained.

In all existing locations (Auckland, Hamilton, Queenstown, Adelaide) and new environments (Darwin) we will continue to deliver on our commitment to community contribution and participation by both the company and our staff.

SKYCITY is in a strong position entering the 2004/05 year - a year that will present a range of opportunities and challenges for the company and its people. We are confident that 2004/05 will prove to be another successful period for SKYCITY, our shareholders, customers and staff, and the communities within which we operate our entertainment businesses.

Evan Davies
MANAGING DIRECTOR





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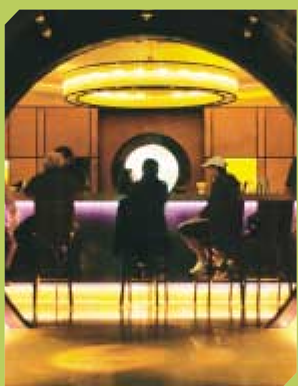
As a business that provides diverse entertainment experiences, SKYCITY is committed to understanding and anticipating its customers needs, and exceeding service expectations.

CUSTOMER EXPERIENCE

TO CONTINUE ITS SUCCESS IN THE ENTERTAINMENT BUSINESS, SKYCITY MUST UNDERSTAND AND ANTICIPATE CUSTOMER TRENDS AND PREFERENCES AND CONSTANTLY REFRESH ITS PRODUCTS AND SERVICES TO PROVIDE COMPELLING NEW REASONS FOR PEOPLE TO VISIT.



CUSTOMER EXPERIENCE CONTINUED

SKYCITY'S COMMITMENT TO LISTENING TO ITS CUSTOMERS HAS BEEN A FUNDAMENTAL FACTOR IN ITS SUCCESS. INTERNATIONAL AND LOCAL VISITORS ALIKE ARE ATTRACTED TO SKYCITY PROPERTIES NOT JUST BY CASINO GAMING BUT BY THE RANGE OF ACTIVITIES OFFERED – INCLUDING LIVE MUSIC, THEATRE, RESTAURANTS, HOTELS, BARS AND ADVENTURE ACTIVITIES.

A simple strategy – to offer broad-based, integrated and locally relevant entertainment experiences – has proven effective in its translation into each of the regions where SKYCITY operates.

INCENTIVISING FOR RESULTS

Fundamental to SKYCITY's customer experience is excellence in customer service. SKYCITY talks to its customers to stay in touch with their expectations and then aims to deliver more. Part of this market research includes frequent customer surveys regarding the level of service provided. The results of this research are linked to a staff incentive and reward programme, the Customer Experience Incentive (CEI), to encourage excellence in customer service.

The CEI customer service based bonus scheme for waged staff was originally introduced at SKYCITY Auckland in December 2000, with other company properties following suit over the last two and a half years. Waged employees at all SKYCITY Entertainment Group properties are entitled to a bonus, on top of ordinary wages and other benefits, if both customer service target levels and company financial targets are met.

The incentive programme for waged staff at SKYCITY sits alongside a similar plan for salaried staff, under which employees are rewarded for meeting company and individual performance targets. Many individual performance targets for salaried staff are linked to CEI targets, ensuring equal ownership of customer service delivery from front-of-house personnel through to executive management.

SKYCITY employs more than 5,000 staff across its various businesses, including staff from over 70 nationalities. In recognition that great staff are the key to achieving service excellence, skill enhancement for staff is seen as a top priority for SKYCITY. It also serves to encourage staff to stay with the group and to grow into positions of leadership.

CINEMA EXPERIENCE

SKYCITY jointly owns 92 cinema screens throughout New Zealand with more than five million customer admissions per year. The first wholly-owned SKYCITY Cinemas operation - SKYCITY Cinemas Whangarei - was launched in May 2004.

LEADING SERVICE DELIVERY

The staffing structure SKYCITY has in place has evolved over time to meet the changing needs of customers as the business expands and diversifies. SKYCITY places great emphasis on the development of its staff. This is seen as fundamental in addressing the ready transfer of business practices and effective integration of new operations as the company expands.

At a leadership level, SKYCITY this year established two new operational roles with responsibility respectively for the company's Australian and New Zealand operations. Additionally, the role of General Manager Public Policy and Corporate Strategy was established, with responsibility for government and regulatory relations at local, regional, state and national levels, covering all SKYCITY operational jurisdictions.

This role reflects the need for the application of senior executive resource to this important area and provides for the complexity of operating businesses in multiple regions with varying regulatory requirements.

Two of the three appointments to the new roles were internal (David Kennedy, General Manager Public Policy and Corporate Strategy) and Heather Shotter (General Manager Group Marketing and New Zealand Operations), while Michael Silberling (General Manager Australian Operations) joined from Harrah's Reno, but came to the role with a knowledge of SKYCITY operations given his integral involvement as part of the team that established the SKYCITY Auckland business.

Staff programmes for skill enhancement include organisational culture development - 'The SKYCITY Way', which encourages an environment focused on excellence in customer service, to ultimately deliver strong financial performance and drive repeat visitation. A range of more than 50 training and development programmes reflect the diversity of SKYCITY's operations and its commitment to best practice techniques for optimum business performance - a philosophy which has led to innovation, such as the company's world-first gaming technology – ergonomic gaming tables.

12:30

SKYCITY offers its business customers dedicated conference and function facilities at its Auckland, Darwin and Hamilton properties. Over the next five years the new SKYCITY Auckland Convention Centre will contribute 140,000 delegate days to Auckland city and inject $50 million into the Auckland economy.

BUSINESS EXPERIENCE

BEING IN THE BUSINESS OF FUN MEANS THAT THE EXPERIENCE SKYCITY PROVIDES FOR ITS GROWING BUSINESS MARKET MUST NOT ONLY DEMONSTRATE TOP QUALITY SERVICE AND INNOVATIVE IDEAS, BUT ALSO CENTRE ON THE PROVISION OF ENJOYABLE, SEAMLESSLY INTEGRATED OFFERINGS.

BUSINESS EXPERIENCE CONTINUED

LEADING THE SKYCITY EXPERIENCE FOR BUSINESS-BASED CUSTOMERS IS THE NEWLY OPENED SKYCITY AUCKLAND CONVENTION CENTRE, A $65M MULTI-FUNCTIONAL CONVENTION FACILITY LINKED VIA AIR-BRIDGE TO THE NON-STOP ATTRACTIONS OF SKYCITY AUCKLAND. COVERING FIVE FLOORS, WITH CAPACITY FOR UP TO 1,200 DELEGATES (BANQUET FUNCTION) AND 1,500 (THEATRE-STYLE), THE CONVENTION CENTRE OFFERS INTERNATIONAL-STANDARD FACILITIES FOR LARGE SCALE INDOOR FUNCTIONS – FACILITIES THAT WERE PREVIOUSLY LACKING IN AUCKLAND CITY.

Situated on the 15 floors above the convention centre, the SKYCITY Grand Hotel is currently under construction. Due to open in April/May 2005, the five star hotel will provide 317 rooms of premium luxury (bringing the total number of hotel rooms offered at SKYCITY Auckland to 660) and is the only five star accommodation currently being developed in Auckland city.

Other SKYCITY properties are also expanding their capacity to cater to business customers. In April this year, the SKYCITY Hamilton Function Centre was officially opened. Located beneath the existing SKYCITY Hamilton complex, the centre features two function rooms overlooking a paved promenade along the Waikato riverbank. The function rooms can be combined to cater for up to 240 people banquet-style and 320 theatre-style.

SKYCITY's newest property, SKYCITY Darwin, also boasts comprehensive convention facilities - from meeting rooms to a grand ballroom, as well as outdoor facilities that take advantage of the tropical climate, catering for up to 10,000 people on the beachfront.

TOURISM AND HOSPITALITY

SKYCITY continues its role as a leader in the business and tourism communities. This leadership extends to an ongoing association, through board representation, with the Tourism Industry Association of New Zealand and a commitment to the regional tourism aspirations of each community in which SKYCITY operates.

SKYCITY's sales team, focused on the lucrative conventions and incentives markets in addition to leisure travellers, continues to add value to SKYCITY's customer base and to the New Zealand tourism industry as a whole. This occurs through the marketing of not only the SKYCITY venues, but the diverse and attractive destinations in which the company operates, to prospective customer markets around the world. SKYCITY's sales team, while largely based in Auckland, travels frequently in Asia, Europe and the United States, working closely with tourism industry groups and airlines to drive maximum collective benefits.

SKYCITY also continues to lead and support the hospitality industry through various initiatives, including continuing to set the standard in industry training through its Modern Apprentice Chef programme, first piloted at SKYCITY Auckland and now a national work scheme. The vocational and education pathway initiative is targeted at 16-21 year olds and was launched by the New Zealand Government in July 2000.

SKYCITY has just accepted its fourth consecutive intake of trainee chefs for the programme, with the initiative deemed, by all parties, a resounding success. SKYCITY has trained 15 successful graduates to date, many of whom have taken up permanent positions within SKYCITY Entertainment Group properties. In May this year, SKYCITY and the New Zealand Government formally congratulated the country's first Modern Apprentice Chef graduate, Joseph Tahaafe, while two more young chefs have excelled in their chosen fields – Logan Turner who recently won the Modern Apprentice Chef of the Year and Daniel Brooker, the Young Cullinarian of the Year.

TOURISM EXPERIENCE

In addition to marketing its own properties, SKYCITY's sales team works actively with tourism industry partners to promote, internationally, the regions in which it operates.

23:15

SKYCITY Entertainment Group has a single-minded vision - to create fun and entertainment. Whether day or night, SKYCITY is entertaining New Zealand, Australian and international customers with an array of constantly-evolving product offerings.

ENTERTAINMENT EXPERIENCE

THE SKYCITY BRAND IS SYNONYMOUS WITH FUN AND ENTERTAINMENT. WITH BROAD-BASED OPTIONS - FROM RESTAURANTS, BARS AND GAMING, TO HOTELS, CONVENTION FACILITIES, ADVENTURE ATTRACTIONS AND THEATRE – SKYCITY PROVIDES AN ENTERTAINMENT EXPERIENCE FOR ANY OCCASION.

DIVERSE EXPERIENCES

SKYCITY entertained more than 17 million local and international customers at its properties in New Zealand and Australia during the 2003/04 year.

ENTERTAINMENT EXPERIENCE CONTINUED

SKYCITY'S PROPOSITION OF ENTERTAINMENT OPTIONS TO SUIT ALL NEEDS AND PREFERENCES IS NO MORE EVIDENT THAN AT SKYCITY AUCKLAND, WHICH FURTHER ENHANCED ITS ENTERTAINMENT OFFERINGS DURING THE YEAR.

SKYCITY Auckland's level three attractions were developed in recognition of the ongoing need for SKYCITY to continually increase and diversify its customer base and to present renewed and refreshed entertainment offerings to achieve this.

December 2003 saw the opening of the level three attractions PLAY and Bar3. PLAY is a modern gaming and entertainment experience – designed to provide a contemporary slant on the casino experience and appeal to the sophisticated entertainment seeker. Situated adjacent is Bar3, a chic bar in plush surroundings that is proving popular with both convention guests and, later at night, those seeking New Zealand's top dance music, with DJs performing live every weekend. The venue also hosts the after-match functions of the Auckland Blues and Auckland NPC rugby teams and is popular with fans eager to meet the players.

To improve existing facilities for customers, redevelopment works are also being carried out to expand SKYCITY Auckland's Members' Room facilities. A new Members' Room with increased gaming facilities, is currently being developed in a mezzanine area above the main gaming floor. This will be completed in December 2004. A premium play facility will be established in the area vacated by the Members' Room.

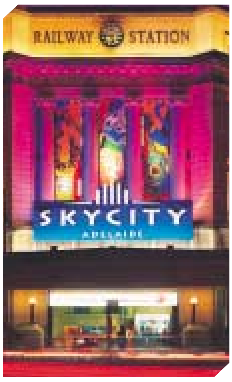
Sky Tower, New Zealand's most visited stand-alone tourism attraction, is continually renewing its entertainment offerings. This year Sky Tower unveiled a glass-bottomed lift. The Dare to Ride lift, fitted with a 38mm safety glass floor, allows passengers to see down into the lift shaft, in addition to viewing Auckland city via the front windows of the lift, as they ride up and down the tallest building in the southern hemisphere. A new retail store at the base of Sky Tower was also opened during the year.

SKYCITY Adelaide is significantly expanding its entertainment attractions with a major redevelopment programme, involving a potential investment of A$70 million, announced in December 2003.

The A$20 million first stage was commenced in May 2004 and includes the development of a new bistro-style restaurant, an upmarket bar, private function facilities and new gaming areas. A A$7 million entertainment facility, to cater for live shows and performances, corporate functions and special events, is also being developed.

The expansion of facilities signals SKYCITY's vision to make SKYCITY Adelaide South Australia's most popular entertainment destination.

Additional proposed works include the development of a 450-space carpark, and refurbishment of existing gaming and food and beverage facilities. The redevelopment will take place in stages over the next three to four years. Commencement of each stage will be dependent on factors including customer response to the previous stages and the prevailing regulatory environment. The overall project is estimated to boost State economic



output by around $A150 million – highlighting the economic contribution SKYCITY makes to the communities in which it operates.

ART AND ARCHITECTURE

SKYCITY is a strong supporter of the arts, philanthropically and through its public artwork commissions at many of its properties.

Carefully selected local artworks and design elements at each property add to SKYCITY's visitor's experience.

Highlights this year include the restoration currently underway at SKYCITY Adelaide – housed in the heritage-listed Adelaide railway building. The current redevelopment of the property includes the restoration of features of the property that have been unseen and unused for many years, including the original railway ticket booth windows.

Artwork on a grand scale is featured within the new SKYCITY Auckland Convention Centre. At 75m wide by 40m high, a retro-styled floral mural by Dick Frizzell and Graham Fletcher certainly turns heads. The largest silk screen print in the southern hemisphere, the print spans three floors.

SKYCITY continues to support the arts, from hosting the Auckland International Film Festival at SKYCITY Theatre for the fifth year, to sponsoring this year's NBR NZ opera, – Cossi Fan Tutti.

In Adelaide, the property's popular Marble Hall continued to grow its profile as a favoured performance venue, bringing a number of high-profile acts, including Jimmy Barnes and Wendy Matthews to South Australian customers. SKYCITY Adelaide as a venue staged more than 450 live performances in the last year.

CINEMAS

On the cinematic front SKYCITY continued to grow its position as a leading New Zealand cinema exhibitor. A highlight for this year included the launch of SKYCITY Cinemas – SKYCITY's first wholly-owned cinema operation. The brand was launched in Whangarei in June following the purchase of the Cinema City 5 operation in February.

Through joint ventures with Village Roadshow, Hoyts and Rialto, SKYCITY now owns 92 cinema screens spread across New Zealand, extending the SKYCITY entertainment experience to new audiences throughout the country.

SKYCITY is also developing new cinema multiplexes within shopping centres through a venture between Village SKYCITY Cinemas and Westfield. These include new cinema complexes at Queensgate in Lower Hutt, Albany on Auckland's North Shore, Manukau in South Auckland and Chartwell in Hamilton.

KEY SPONSORSHIPS

Aligned with SKYCITY's vision to create fun and entertainment are many of SKYCITY's sponsorships – selected for both their relevance within the community and the role they play in providing entertainment on, a broad level, to many hundreds of thousands of New Zealanders and Australians. Key examples include SKYCITY's ongoing sponsorships of the AFL Slowdown charity event in Adelaide, Auckland rugby, Waikato rugby, the Rally of New Zealand and Queenstown's Winter Festival.

SKYCITY's position as a leading provider of fun and entertainment is intrinsic to the very culture of the Group and translated into each product and service offered and every key relationship within the community.

16:00

SKYCITY is a cornerstone business within each of its communities, contributing directly and indirectly to each region's economic and social infrastructure. This year SKYCITY assisted Kidz First and the South Auckland Health Foundation launch the 'SKYCITY Smile' campaign, targeting the dental health of Auckland's children.

COMMUNITY EXPERIENCE

SKYCITY IS HOST TO MORE THAN 17 MILLION VISITORS EACH YEAR AND PLAYS A SIGNIFICANT ROLE AS A CORPORATE CITIZEN WITHIN ITS COMMUNITIES.

SPONSORSHIP EXPERIENCE

SKYCITY's ongoing community sponsorships include Special Olympics New Zealand, The New Zealand Breast Cancer Foundation, Kidz First Children's Hospital, Starship Children's Health and the McGuiness McDermott Foundation.

COMMUNITY EXPERIENCE CONTINUED

SKYCITY IS A MAJOR CONTRIBUTOR TO ITS COMMUNITIES IN A VARIETY OF WAYS. WHEN FACTORS SUCH AS EMPLOYMENT, THE PURCHASE OF LOCAL GOODS AND SERVICES, LOCAL AND CENTRAL GOVERNMENT TAXATION AND LEVIES, TOURISM CONTRIBUTION AND SPONSORSHIPS ARE TAKEN INTO ACCOUNT, SKYCITY'S INVOLVEMENT COMBINES TO REPRESENT A SIGNIFICANT LEVEL OF COMMUNITY PARTICIPATION.

COMMUNITY SPONSORSHIP

SKYCITY focuses its comprehensive sponsorship portfolio in four broad areas: health, the arts, culture and entertainment, and sport.

Its sponsorships involve more than just financial donations to the organisations it partners. Marketing, communications and project management expertise, fundraising assistance and staff volunteer programmes help structure a comprehensive sponsorship commitment.

Key ongoing community sponsorships include Special Olympics New Zealand, The New Zealand Breast Cancer Foundation, Kidz First Children's Hospital, Starship Children's Health and the McGuiness McDermott Foundation in Adelaide.

In the past year SKYCITY also sponsored many locally relevant events and sporting endeavors in the communities in which it operates, including the SKYCITY Starlight Symphony in Auckland Domain, Gallagher Boathouse 8's rowing event on the Waikato River, the Queenstown Winter Festival, Auckland and Waikato rugby and the AFL Slowdown Charity event in Adelaide.

SKYCITY COMMUNITY TRUSTS

Established to provide funds for community and charitable purposes, SKYCITY's community trusts have contributed more than $15 million to a wide range of community initiatives since the first trust was established in Auckland in 1996. The trusts are one of the instruments though which SKYCITY supports local organisations, with the annual funding amount for each trust based on a percentage of each property's net profit.

Independent trusts have been established in Auckland, Hamilton and Queenstown and similar initiatives are under discussion for implementation throughout the company's Australian operations. Each trust aims to support local and regional organisations in undertaking community assistance and development work, focusing on community projects related to health, education, tourism, entertainment, arts and culture.

SKYCITY community trust grants are broad-ranging, both in terms of cause and financial commitment. More than $3,800,000 was distributed during the 2004 year. A sample of the projects and initiatives supported includes:

AUCKLAND GRANTS INCLUDED:

$214,800 for the restoration of the original Titirangi home of renowned New Zealand artist Colin McCahon, $135,800 for the South Auckland Health Foundation to purchase medical equipment to measure bone density, $50,000 for the development of a dementia home at St. Andrews Village, $40,000 for the Auckland Philharmonica to support three concerts and $21,000 for the Great Barrier Island Rescue Service Charitable Trust.

HAMILTON GRANTS INCLUDED:

$20,000 for the Parentline Charitable Trust to provide education sessions, $10,000 for the Mount Maunganui Lifeguard Service to assist in training programmes, $5,000 to support the 2004 Balloons over Waikato festival and $2,000 for the Te Hau Aroha Performing Arts.

QUEENSTOWN GRANTS INCLUDED:

$25,000 for the Lakes District Air Rescue Trust to purchase a portable defibrillator, $25,000 for the Order of St. John Wakatipu to fund the fit-out of a new ambulance, $10,000 for the Queenstown Jazz Festival and $5000 for the Glenorchy Community Association to assist in upgrading the Glenorchy swimming pool.

Both the SKYCITY trusts and the businesses themselves are committed to supporting those causes and initiatives that its local community and customers, deem most important.

HOST RESPONSIBILITY

SKYCITY takes a proactive approach to host responsibility. Management of the aspects of its business with the potential to cause harm to some customers is essential to the long term sustainability of both SKYCITY's business and the overall gaming and hospitality sector.

SKYCITY's dedicated Host Responsibility department works closely with problem gambling treatment providers and academic experts in the ongoing development and implementation of its host responsibility programmes, which are widely recognised as industry-leading.

Problem gambling support initiatives include self-exclusion programmes, support materials on-site, referrals to treatment providers, clocks in gaming venues and community education modules developed to support medical practitioners in the identification and treatment of problem gambling behaviour.

SKYCITY provides training for all staff in all areas of host responsibility, relevant to their role, but especially in responsible service of alcohol and gaming product. Having well informed and well prepared staff is fundamental to the way SKYCITY approaches its responsibilities. The company's objectives are for staff to recognise the value of their role in early intervention, to acquire the skills to intervene and to integrate these skills into their daily work practice.

In support of the case for an industry role in policy, practice and research development in the problem gambling field, SKYCITY believes that as a major participant in the gaming industry, it has a valuable role to play.

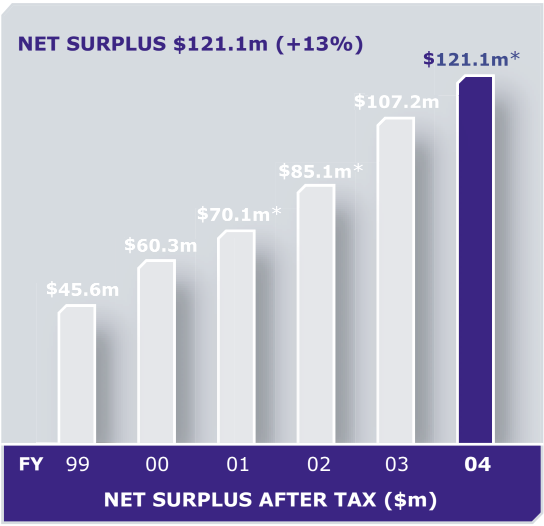
SKYCITY participated from an industry perspective in the development of the Gambling Act, which took effect from July 1 this year.

SKYCITY consulted government bodies on its extensive host responsibility programmes during the development of legislation and many of the company's initiatives have now been implemented industry-wide as a result.

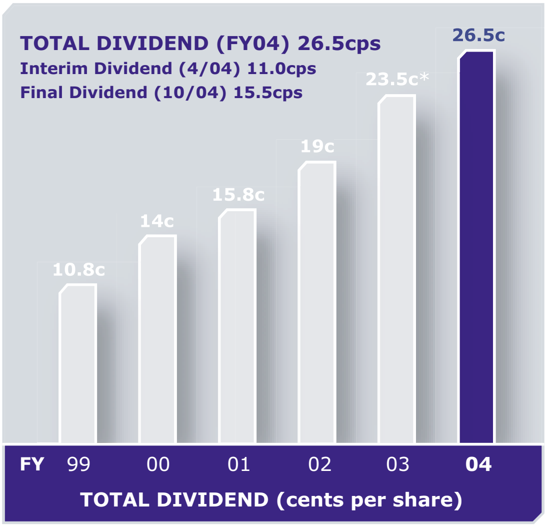
FINANCIAL & OPERATING REVIEW

THE $121.1 MILLION NET SURPLUS AFTER TAX, BUT BEFORE NON-RECURRING ITEM, REPORTED FOR THE YEAR ENDED 30 JUNE 2004 WAS UP 13% ON THE $107.2 MILLION REPORTED FOR THE 2003 YEAR.

In the 2003/04 year, SKYCITY Auckland generated 84% of Group earnings (EBIT). SKYCITY Adelaide generated 9% and other New Zealand operations, which include SKYCITY Hamilton, SKYCITY Leisure and SKYCITY Queenstown, generated 7% of overall Group earnings.



* Before non-recurring items



* Special dividend of 10cps paid in November 2002, in addition to 23.5cps for the FY03 year.

EARNINGS AND DIVIDENDS

Earnings per share (before non-recurring item, being the Canbet investment write-off of $20.9 million) increased by 14% from 25.5 cents per share to 29.0 cents per share in 2003/04 and, as a result, dividends paid to shareholders increased from 23.5 cents per share to 26.5 cents per share.

The final dividend for the year ended 30 June 2004 is 15.5 cents per share (fully-imputed). This dividend will be paid on 8 October 2004 to those shareholders on the SKYCITY register as at 5:00pm on Friday 24 September 2004.

KEY FEATURES OF THE 2003/04 RESULT

The key features of the 2004 result were:

- a 6% increase in Group operating revenues from $556 million to $591 million
- a 4% increase in operating earnings after depreciation (EBIT: earnings before interest and tax), from $200.6 million to $208.4 million
- a 13% uplift in net surplus (after tax and before non-recurring item) from $107.2 million to $121.1 million.

Each of the Group's major properties increased revenues and earnings in the 2003/04 year, as summarised below:

- SKYCITY Auckland increased revenues by 4% from $374 million to $389 million and EBIT from $172.9 million to $175.2 million
- SKYCITY Adelaide increased revenues by 7% from A$103 million to A$110 million and EBIT from A$15.2 million to A$15.7 million
- SKYCITY Hamilton increased gaming revenues by 22% (calculated on a per day basis – FY2003 trading period was nine months, following the opening of the property in September 2002) to $31 million and EBIT from $3.5 million to $9.3 million
- SKYCITY Leisure increased its New Zealand cinema revenues by 10% from $29 million to $32 million and EBIT from all operations by 6%, from $7.1 million to $7.5 million
- SKYCITY Darwin, whilst not part of the Group result for the period ended 30 June 2004, recorded a strong six-month result, increasing revenues by 14% and operating earnings before depreciation by 19% over the corresponding prior period.

Two air-bridges link the new SKYCITY Auckland Convention Centre to the main SKYCITY Auckland entertainment complex.

FINANCIAL & OPERATING REVIEW CONTINUED

The Group has operations in New Zealand and Australia with the dominant share of the earnings stream generated by the gaming, hospitality and entertainment facilities at the SKYCITY Auckland complex. In the 2003/04 year, SKYCITY Auckland generated 84% of Group earnings (EBIT), SKYCITY Adelaide generated 9% and other New Zealand operations, which include SKYCITY Hamilton, SKYCITY Leisure and SKYCITY Queenstown, generated 7% of Group EBIT.

Including SKYCITY Darwin, SKYCITY's Australian revenues are anticipated to contribute approximately 30% of overall Group revenues in the 2004/05 year.

KEY DETERMINANTS OF THE 2003/04 RESULT

- SKYCITY Auckland revenues increased significantly following the opening of the PLAY casino and Bar3 facilities in December 2003, but were then impacted in March 2004 by the introduction of the $20 note acceptor limitation on gaming machines. The introduction of ticket technology on 300 higher-end gaming machines in Auckland is expected to address the inconvenience factor created for higher-end players by the note acceptor limitation.
- SKYCITY Adelaide reported a somewhat disappointing first-half result (six month period ended 31 December 2003) but revenues and earnings improved significantly in the second half of the year
- SKYCITY Hamilton's revenues and earnings exceeded expectations. The Hamilton operation performed particularly well both in terms of revenue generation and margin management
- SKYCITY Leisure's cinema revenues and earnings continued to perform well. Prospects for further growth are encouraging
- The takeover of SKYCITY Leisure by SKYCITY Entertainment Group crystallised a tax benefit of $7.9 million. This one-off benefit reduced the tax that would otherwise have been payable during the 2003/04 year
- The Canbet investment was written off in the 2003/04 year. It is anticipated that SKYCITY will retain a 6.8% shareholding in International All Sports Limited, an ASX-listed wagering company, following the proposed merger of these two businesses, but any value represented by that shareholding will only be recognised when realised.

The A$20m first stage of a proposed three-year (A$70m) redevelopment at SKYCITY Adelaide was announced in December 2003. New bars, restaurants, entertainment and gaming facilities will extend the property's appeal to new customer groups.

LOOKING FORWARD: 2004/05

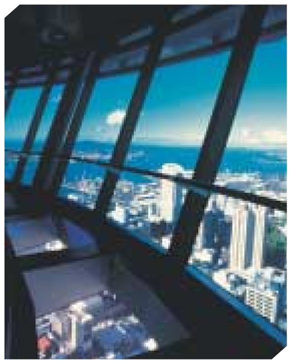
Looking forward, there are a number of factors which will influence the outcome for the 2004/05 year.

SKYCITY Auckland will have the benefit of its new 15% expanded gaming area (PLAY casino) and new Bar3 facility for a full 12 month period (seven months in 2003/04), the new expanded Members' facilities will be completed for VIP gaming customer enjoyment in December 2004, the SKYCITY Auckland Convention Centre will generate revenues and provide additional visitors to the main complex (partially open in the 2003/04 year, but fully operational from July 2004) and the new five star, 317 room SKYCITY Grand Hotel is scheduled to open in April/May 2005.

SKYCITY Hamilton had an excellent year in 2003/04. Whilst the rate of growth produced since the opening of the complex in September 2002 cannot realistically be expected to be sustained, the 2004/05 year should see further consolidation of revenues and earnings from this business.

SKYCITY Queenstown was targeted to breakeven at EBIT level during the 2003/04 year but was just short of that objective at –$0.3 million. Gaming machines performed well following the introduction of 42 (of 86) new machines during the November to February period, but table games were down on expectations as a consequence of fewer commission play groups visiting the property than originally expected. A surplus EBIT result for the 2004/05 year is targeted.





SKYCITY Leisure's cinema operations again performed well during the 2003/04 year and this is expected to continue in 2004/05. The Village SKYCITY St Lukes cinema complex in Auckland (which opened in April 2003) contributed to the growth in earnings during 2003/04. The success of the Village SKYCITY St Lukes venue, located within the Westfield St Lukes shopping centre, has given SKYCITY Leisure confidence to announce, in conjunction with Westfield, further developments in Lower Hutt (Wellington), Albany (Auckland) and Manukau City (Auckland). The Lower Hutt and Albany locations are in regions not represented by Village SKYCITY cinemas and will provide good future growth without impacting existing locations. The full takeover of SKYCITY Leisure by SKYCITY Entertainment Group means that these expansion and redevelopment opportunities will not be constrained by capital limitations. The full ownership by SKYCITY and the delisting of SKYCITY Leisure as a separate company on the NZX will result in cost efficiencies, which will assist the 2004/05 result.

SMOKEFREE LEGISLATION IN NEW ZEALAND (DECEMBER 2004)

The introduction of smokefree legislation on 10 December 2004 will have an impact on smoking customers and is expected to restrict revenues for the six to nine month period following introduction of the smoking restrictions. SKYCITY has estimated the earnings impact of the smoking bans to be in the order of $10 million at the operating earnings line for the Auckland property for the seven-month period following the introduction in December, through to the end of the 2005 financial year in June. After approximately 12 months, we anticipate that the impact of smoking bans will have largely been overcome (as has been the experience in Australia) and that revenue growth patterns, interrupted in the 2004/05 year, will have returned to normal.

It is not possible to forecast the impact of the smoking restrictions with any certainty, but our earnings impact projection for the 2004/05 year is based on analysis of the impact of smoking restrictions in Australia translated to the New Zealand environment. In New Zealand, the non-smoking environment is generally further advanced to begin with than was the case in Australia and significant advance notice has been provided to customers and the hospitality and entertainment sectors.

SKYCITY will have balcony facilities available for smoking customers. These balconies have been designed to provide a convenient smoking environment in close proximity to the gaming and entertainment facilities at each of the New Zealand properties.

SMOKING RESTRICTIONS AUSTRALIA

In South Australia, total smoking bans will apply from October 2007 with partial restrictions being phased in to the property in the interim. The Northern Territory has no announced smoking ban intentions. At SKYCITY Darwin, the current requirement is that amenities of equal standard must be provided for non-smokers as are provided for smoking customers.

SKYCITY ADELAIDE REDEVELOPMENT PROJECT

SKYCITY announced a four year A$70 million redevelopment project for its Adelaide property in December 2003. The A$20 million first stage of the project, which involves the development of the North Terrace frontage of the building, is due for completion in March/April 2005. Stage one will open the property to the street and create a welcoming entrance precinct, incorporating a new bistro-style 300 seat restaurant with indoor and outdoor seating, a new bar featuring live entertainment, a new gaming area incorporating approximately 10 tables and 100 gaming machines and a private function room. A new dedicated entertainment facility for concerts and special events, originally programmed for stage two, has been brought forward and was announced in July of this year. This facility is due for completion in mid-2005.

It is intended that stages two and three of the Adelaide project will proceed but this decision remains subject to the gaming regulatory environment in South Australia being favourable to new investment. These stages of the redevelopment, which will be progressed over the next three year period, will include a 450 space underground carpark, redevelopment/refurbishment of existing gaming areas and renovation of existing restaurants and bars and entertainment options for customers.

The redevelopment of the SKYCITY Adelaide property will enhance the casino gaming facilities and will significantly increase the overall appeal and attraction of the facility, by increasing the range of experiences for customers. The proposed carparking facility will greatly increase the convenience for customers travelling into the city to visit the SKYCITY complex. The significant capital investment represented by these facilities has been carefully considered and the expectation is that strong returns on the new investment will be generated.

SKYCITY DARWIN

SKYCITY Darwin has performed ahead of pre-acquisition expectations during the six months to 30 June 2004. The levels of earnings achieved, when extrapolated to a full year basis, results in a 7.2 times EBITDA earnings multiple, representing a very favourable acquisition price for this asset. The general economic outlook for Darwin is extremely positive and this, together with a number of SKYCITY revenue-generating initiatives (including the introduction of premium/commission play to the property) gives the company a high level of confidence for a strong return on investment from this business.

Key features of the individual property performances, not referred to earlier, are summarised below:

SKYCITY AUCKLAND

- Total revenues up 4% with all sectors except conference (due to non-availability of facilities during construction of the new convention centre) showing increases
- Tight cost control programmes within the business assisted EBITDA margin management (at 52%), despite the pressures imposed by the note acceptor limitation in the fourth quarter of the financial year. EBIT at $175 million was up marginally over 2002/03 ($173 million)
- Sky Tower awarded the Visitor Attraction category in the 2003 New Zealand Tourism Awards
- A series of movie premieres and first screenings (including the first public screening of the Lord of the Rings: The Return of the King in December) and a range of live performance experiences were enjoyed by more than 100,000 theatre patrons during the year
- Major sponsorships included Auckland rugby, Vodafone Warriors rugby league, Kidz First Children’s Hospital in conjunction with the South Auckland Health Foundation, Special Olympics New Zealand, and NBR New Zealand Opera
- SKYCITY Starlight Symphony (free outdoor concert in support of The New Zealand Breast Cancer Foundation) attended by more than 200,000 people in February
- SKYCITY Auckland Community Trust distributed $3.2 million in grants to a range of charitable and community projects during the 2003/04 year.

SKYCITY HAMILTON

(up from 55% to 70% ownership from 30 April 2004 and management contract)

- Gaming revenues up 22% (on a revenue per day basis). Operating earnings (EBITDA) at $14 million (44% of revenues) with a consistently strong performance throughout the year
- Extension of opening hours and gaming expansion in June 2003 benefited the full 12 months of 2003/04
- New function centre opened in April 2004 and receiving strong local support
- Sponsorship of Waikato rugby, the Gallagher Boathouse 8’s rowing regatta, and the Waikato and Cambridge Racing Clubs
- SKYCITY Hamilton Community Trust distributed $480,000 in grants to a range of Waikato/Bay of Plenty charitable and community initiatives.

SKYCITY QUEENSTOWN

(60% ownership and management contract)

- Total revenues up 6% with operating earnings steady at $1.1 million EBITDA and -$0.3 million EBIT
- Sponsorship of the Queenstown Winter Festival
- SKYCITY Queenstown Casino Charitable Trust distributed more than $200,000 to a range of Otago/Southland charities.

SKYCITY LEISURE

- Cinema revenues up 10%, EBIT up 6% to $7.5 million and net surplus before tax up from $2.0 million to $2.5 million
- Cost savings from full takeover (and subsequent delisting of the company from the NZX) will enhance the 2004/05 result
- Ownership of SKYCITY Leisure continues to assist the positioning of SKYCITY as a broad-based entertainment company. Village SKYCITY branding being extended and cross-property synergies being achieved
- Independent valuations of the business in 2004 show that this investment is being carried in SKYCITY's financial statements at below current value, as a consequence of the 2002 write-down of this investment.

SKYCITY ADELAIDE

- Total revenues up 7% with gaming revenues up 8% to A$99 million. Food and beverage revenues steady at A$11 million. Operating earnings (EBIT) up from A$15.2 million to A$15.7 million with a strong second-half result compared to first half
- Disappointing gaming machine result (revenue down 2%) despite the overall machine market in Adelaide demonstrating growth. This growth provides confidence for the proposed facility expansion and redevelopment programme
- Some synergies anticipated between SKYCITY's Adelaide and Darwin properties.

CANBET LIMITED

(33% shareholding)

- Disappointing trading performance in an increasingly difficult operating environment
- Investment value written off to nil. Some recovery possible through proposed 6.8% shareholding in International All Sports but not provided for in financial statements.

FINANCIAL & OPERATING REVIEW CONTINUED

SKYCITY'S PRIORITIES FOR THE 2005 FINANCIAL YEAR WERE ADVISED TO THE MARKET AT THE TIME OF THE 2004 RESULT RELEASE IN AUGUST. THESE PRIORITIES ARE SET OUT BELOW.

SKYCITY AUCKLAND

- Continue revenue growth across all business units
- Capitalise on the new opportunities created by the SKYCITY Auckland Convention Centre
- Manage introduction of the non-smoking regime (also applies at Hamilton and Queenstown)
- Manage regulatory transition issues from the Casino Control Act 1990 to the Gambling Act 2003 and from the Casino Control Authority to the Department of Internal Affairs
- Progress Members' facilities and new hotel projects through to scheduled openings on time (December 2004 and April/May 2005 respectively) and to budget
- Continue to grow VIP and commission play.

SKYCITY HAMILTON

- Consolidate revenues and earnings performance
- Continue to position the complex as the pre-eminent entertainment and hospitality destination in Hamilton.

SKYCITY QUEENSTOWN

- Continue new gaming machine programme
- Achieve surplus EBIT result.

SKYCITY LEISURE

- Grow cinema earnings
- Enhance and expand cinema offerings.

CHRISTCHURCH CASINO

- Provide input to Christchurch Casino's revenue and earnings initiatives.

SKYCITY ADELAIDE

- Capitalise on North Terrace-fronting facilities when first stage of development has been completed in March/April 2005
- Enhance overall gaming and entertainment attraction of the property
- Further grow revenues and earnings.

SKYCITY DARWIN

- Ensure smooth transition to SKYCITY ownership and management
- Introduce VIP/commission play revenues
- Continue the revenue and earnings growth evidenced during the six months to 30 June 2004.

CORPORATE

- Continue to evaluate new gaming and entertainment opportunities
- Maintain capital management and capital efficiency focus.

COMMUNITY

- Continue community participation in all regions.

REGULATORY AND COMPLIANCE

- Maintain high level of compliance in all jurisdictions
- Work with regulatory agencies in each jurisdiction to ensure that an appropriate combination of regulatory requirements and business imperatives is achieved.

SKYCITY TIMELINE

1996

- SKYCITY Auckland opened
- SKYCITY Limited listed on the New Zealand Stock Exchange

2000

- SKYCITY Adelaide acquired
- SKYCITY Queenstown Casino opened

2001

- SKYCITY Limited changed its name to SKYCITY Entertainment Group Limited to reflect its evolution from a single-site Auckland-based company to an international, multi-site entertainment business
- SKYCITY named Supreme Award Winner, New Zealand Tourism Awards
- 50.2% acquisition of Force Corporation (since renamed SKYCITY Leisure)

2002

- SKYCITY Hamilton opened

2003

- First jointly-branded Village SKYCITY Cinema opened in Auckland
- Sky Tower named New Zealand's leading visitor attraction
- SKYCITY Auckland gaming floor extension opened

2004

- SKYCITY Darwin acquired
- Shareholding in Christchurch Casino acquired
- Acquisition of additional 15% in SKYCITY Hamilton operation
- Full acquisition of SKYCITY Leisure Limited
- SKYCITY Auckland Convention Centre opened

2005

- Five star SKYCITY Grand Hotel at SKYCITY Auckland to open
- Stage one of SKYCITY Adelaide redevelopment to be completed

In the eight years since SKYCITY opened its first property, SKYCITY Entertainment Group has experienced significant growth, expanding and developing into an entertainment company ranked in the top 10 companies listed on the New Zealand Exchange and in the top 100 listed on the Australian Stock Exchange.

SKYCITY has developed from a single-site operation in Auckland to a major trans-Tasman gaming and entertainment operator with five properties (including hotels, restaurants, bars, theatre, entertainment, convention facilities and tourism attractions) and is a major cinema exhibitor with 92 screens within New Zealand.

BOARD OF DIRECTORS

THE SKYCITY ENTERTAINMENT GROUP BOARD OF DIRECTORS IS RESPONSIBLE FOR SUPERVISING THE MANAGEMENT OF THE COMPANY AND HAS A COMPREHENSIVE SET OF CORPORATE GOVERNANCE PRACTICES AND PROCEDURES IN PLACE TO ENSURE THAT ITS RESPONSIBILITIES TO SHAREHOLDERS AND OTHER STAKEHOLDERS ARE FULLY COMPLIED WITH.

The board currently comprises five non-executive directors and one executive director. The chairpersons of the board and the board committees are non-executive directors.

Rod McGeoch and Elmar Toime, current directors of the company, retire by rotation at the 2004 Annual Meeting and offer themselves for re-election.

Sir Dryden Spring, having been appointed since the last annual meeting of the company retires at the 2004 Annual Meeting and, being eligible, offers himself for election.

During the 2003/04 year, the board formally met on seven occasions, the board's Audit and Risk Committee met four times, the Governance and Remuneration Committee met three times and the Nomination Committee met on two occasions. In addition, directors met informally on a number of occasions to consider specific issues.

ROD MCGEOCH

Chairperson

Rod McGeoch was appointed a director in September 2002 and Chairman of the company on 1 April 2004. Mr McGeoch is a consultant to Corrs Chambers Westgarth, solicitors, of Australia. Mr McGeoch, who is based in Sydney, Australia, is a director of Telecom Corporation of New Zealand Limited, Ramsay Health Care Limited and Frontiers Group Limited, chairman of Pacific Healthcare Limited and Saatchi & Saatchi's Trans Tasman Advisory Board. Mr McGeoch is the Australian Prime Ministerial appointment to the newly-established Australia and New Zealand Leadership Forum.

EVAN DAVIES

Managing Director

Evan Davies has been Managing Director of SKYCITY Entertainment Group Limited since February 1996. Mr Davies is an executive director of the board and is also a director of SKYCITY subsidiary companies including Riverside Casino Limited, Queenstown Casinos Limited and SKYCITY Leisure Limited. He is a trustee of the Melanesian Mission Trust.

PATSY REDDY

Deputy Chairperson

Patsy Reddy has been a SKYCITY director since 1994. She is Deputy Chairperson of the board and chairs the Governance and Remuneration and Nomination Committees. Ms Reddy is also a director of Telecom Corporation of New Zealand Limited, an executive director of Active Equities Limited and a member of NZX Discipline. She is a trustee of the New Zealand International Festival of the Arts, the Victoria University of Wellington Art Collection Trust, and a member of the Adam Art Gallery Advisory Board.

SIR DRYDEN SPRING

Sir Dryden Spring was appointed a SKYCITY director on 30 October 2003. He is chairman of the Asia 2000 Foundation of New Zealand, the New Zealand APEC Business Advisory Council and WEL Networks Limited. He is a director of ANZ National Bank Limited and certain subsidiaries, Fletcher Building Limited, and Port of Tauranga. Sir Dryden is also a Trustee of the New Zealand Business and Parliamentary Trust. Sir Dryden is currently chairman of the Audit and Risk Committee.

ELMAR TOIME

Elmar Toime was appointed to the SKYCITY board in February 1996. Mr Toime is a member of the SKYCITY Audit and Risk Committee. He is Executive Deputy Chairman of Royal Mail Holdings plc and was formerly Chief Executive Officer of New Zealand Post Limited. Mr Toime is a director of Post Office Limited, chairman of General Logistics Systems, and a board member of the International Postal Corporation, all of which are UK companies. Mr Toime, has been based in London since March 2003.

BILL TROTTER

Bill Trotter was appointed to the SKYCITY board in March 2000 and is a member of SKYCITY's Governance and Remuneration Committee. Mr Trotter is Executive Chairman of First NZ Capital Group Limited.

ALISTAIR RYAN

Company Secretary

Alistair Ryan has been SKYCITY Entertainment Group Limited's company secretary since 1995 and is General Manager Corporate for the SKYCITY Entertainment Group. Mr Ryan is a director of a number of SKYCITY subsidiary companies, including Riverside Casino Limited, Queenstown Casinos Limited, and SKYCITY Leisure Limited.

SKYCITY ENTERTAINMENT GROUP

• FINANCIAL STATEMENTS & NOTES
• GOVERNANCE AT SKYCITY
• DISCLOSURES

CONTENTS

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AUDITOR'S REPORT

To the shareholders of SKYCITY Entertainment Group Limited

We have audited the financial statements on pages 41 to 74. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 30 June 2004 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 46 to 49.

Directors' Responsibilities
The Company's directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 30 June 2004 and their financial performance and cash flows for the year ended on that date.

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

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

(a) the significant estimates and judgements made by the directors in the preparation of the financial statements; and

(b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

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

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as auditors under the Companies Act 1993, internal auditors, tax and accounting advisers.

Unqualified Opinion
We have obtained all the information and explanations we have required.

In our opinion:
(a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and

(b) the financial statements on pages 41 to 74:
   (i) comply with generally accepted accounting practice in New Zealand; and

   (ii) give a true and fair view of the financial position of the Company and Group as at 30 June 2004 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 24 August 2004 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants
Auckland

STATEMENTS OF FINANCIAL PERFORMANCE

For the year ended 30 June 2004

		Consolidated		Parent Company	
		2004	2003	2004	2003
	Notes	**$'000**	$'000	$'000	$'000
Revenue	2	**598,661**	564,313	138,992	139,494
Expenses	3	**(456,140)**	(405,693)	(34,161)	(30,695)
Surplus before income tax		**142,521**	158,620	104,831	108,799
Income tax	12	**(40,400)**	(51,117)	–	–
Surplus for the year		**102,121**	107,503	104,831	108,799
Net surplus attributable to minority interest	9	**(1,899)**	(286)	–	–
Net surplus attributable to parent shareholders[1]		**100,222**	107,217	104,831	108,799

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

[1] After Canbet investment write-off of $20,904,215.

STATEMENTS OF MOVEMENTS IN EQUITY

For the year ended 30 June 2004

		Consolidated		Parent Company	
		2004	2003	2004	2003
	Notes	**$'000**	$'000	$'000	$'000
NET SURPLUS FOR THE YEAR, COMPRISING					
Parent shareholders' interest	6	**100,222**	107,217	104,831	108,799
Minority interest	9	**1,899**	286	–	–
		102,121	107,503	104,831	108,799
Other recognised revenues and expenses					
Foreign currency translation reserve movement	5	**(9,953)**	1,111	–	–
Total recognised revenues and expenses		**92,168**	108,614	104,831	108,799
Buyback of shares	4	**(27,656)**	(12,967)	(27,656)	(12,967)
Movement in employee share entitlement reserve	5	**511**	1,107	511	1,107
Exercise of share options	4	**4,193**	2,555	4,193	2,555
Employee share entitlements issued	4	**2,816**	2,378	2,816	2,378
Minority interest in contributions from owners	9	**1,200**	–	–	–
Acquisition of minority interest	9	**(5,190)**	–	–	–
Distributions to owners	7	**(100,004)**	(133,362)	(100,004)	(133,362)
Shares issued under dividend reinvestment plan	4	**–**	22,372	–	22,372
Movements in equity for the year		**(31,962)**	(9,303)	(15,309)	(9,118)
EQUITY AT THE BEGINNING OF YEAR, COMPRISING					
Parent shareholders' interest		**240,958**	250,547	217,668	226,786
Minority interests		**5,607**	5,321	–	–
		246,565	255,868	217,668	226,786
EQUITY AT END OF YEAR, COMPRISING					
Parent shareholders' interest		**211,087**	240,958	202,359	217,668
Minority interests		**3,516**	5,607	–	–
		214,603	246,565	202,359	217,668

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

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2004

SKYCITY ENTERTAINMENT GROUP

	Notes	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Company 2004 $'000	Parent Company 2003 $'000
EQUITY					
Share capital	4	**225,871**	246,518	225,871	246,518
Reserves	5	**(7,510)**	1,932	6,662	6,151
Retained earnings	6	**(7,274)**	(7,492)	(30,174)	(35,001)
Shareholders' equity		**211,087**	240,958	202,359	217,668
Minority interests	9	**3,516**	5,607	–	–
Total equity		**214,603**	246,565	202,359	217,668
LIABILITIES					
Non-current liabilities					
Borrowings	10	**579,967**	437,113	–	–
Deferred tax	11	**27,216**	24,683	–	–
Convertible notes	15	**8,910**	13,365	–	–
Capital notes	14	**–**	149,266	–	149,266
Total non-current liabilities		**616,093**	624,427	–	149,266
Current liabilities					
Payables and accruals	13	**93,619**	64,836	1,891	2,378
Borrowings	10	**101,000**	1,000	–	–
Capital notes	14	**149,644**	–	149,644	–
Total current liabilities		**344,263**	65,836	151,535	2,378
Total liabilities		**960,356**	690,263	151,535	151,644
Total equity and liabilities		**1,174,959**	936,828	353,894	369,312
ASSETS					
Non-current assets					
Investments in subsidiaries	18	**–**	–	211,660	209,860
Investments in associates	19	**255**	21,586	–	–
Other investments	21	**94,609**	–	–	–
Property, plant and equipment	16	**750,267**	636,990	245	137
Intangible assets	23	**212,373**	207,844	–	–
Future income tax benefit	22	**14,645**	3,151	–	–
Total non-current assets		**1,072,149**	869,571	211,905	209,997
Current assets					
Cash and bank balances		**53,272**	57,264	2	–
Receivables and prepayments	24	**36,522**	6,780	141,987	159,315
Income tax receivable	12	**9,999**	315	–	–
Inventories		**3,017**	2,898	–	–
Total current assets		**102,810**	67,257	141,989	159,315
Total assets		**1,174,959**	936,828	353,894	369,312

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

STATEMENTS OF CASH FLOWS

For the year ended 30 June 2004

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Company 2004 $'000	Parent Company 2003 $'000
OPERATING ACTIVITIES				
Cash was provided from				
Receipts from customers	**574,325**	569,979	–	60
Interest received	**6,421**	3,009	598	–
Dividends received	**163**	–	–	–
	580,909	572,988	598	60
Cash was applied to				
Payments to suppliers and employees	**(296,113)**	(281,034)	(18,241)	(16,103)
Interest paid	**(47,230)**	(44,847)	(14,273)	(13,982)
Net GST (paid) / received	**(1,994)**	(3,992)	93	60
Gaming taxes paid	**(25,030)**	(34,114)	–	–
Income taxes paid	**(53,828)**	(34,318)	(51,014)	(32,160)
	(424,195)	(398,305)	(83,435)	(62,185)
Net cash inflows / (outflows) from operating activities	**156,714**	174,683	(82,837)	(62,125)
INVESTMENT ACTIVITIES				
Cash was provided from				
Dividends from subsidiaries	**–**	–	130,000	125,000
Cash was applied to				
Purchase and construction of fixed assets	**(145,874)**	(80,760)	(121)	(7)
Capitalised interest paid	**(6,784)**	(1,173)	–	–
Advances and loans to subsidiaries	**–**	–	(1,800)	–
Purchase of investments	**(94,609)**	–	–	–
Purchase of subsidiaries	**(33,270)**	–	(25,377)	–
	(280,537)	(81,933)	(27,298)	(7)
Net cash (outflows) / inflows from investment activities	**(280,537)**	(81,933)	102,702	124,993
FINANCING ACTIVITIES				
Cash was provided from				
Proceeds from long-term debt	**617,000**	178,516	–	–
Proceeds from issue of convertible notes	**–**	9,000	–	–
Exercise of share options	**4,193**	2,555	4,193	2,555
Advances from subsidiaries	**–**	–	103,604	58,533
Advances from minority interests	**1,200**	–	–	–
Gains on foreign currency swaps hedging investment in foreign operations	**1,500**	2,348	–	–
	623,893	192,419	107,797	61,088
Cash was applied to				
Shares repurchased	**(27,656)**	(12,967)	(27,656)	(12,967)
Repayment of short-term debt	**(1,000)**	(1,000)	–	–
Repayment of long-term debt	**(374,071)**	(146,947)	–	–
Purchase of convertible notes	**–**	(4,950)	–	–
Distributions to shareholders	**(100,004)**	(110,990)	(100,004)	(110,990)
	(502,731)	(276,854)	(127,660)	(123,957)
Net cash inflows / (outflows) from financing activities	**121,162**	(84,435)	(19,863)	(62,869)

STATEMENTS OF CASH FLOWS (CONTINUED)

For the year ended 30 June 2004

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Company 2004 $'000	Parent Company 2003 $'000
Net (decrease) / increase in cash held	**(2,661)**	8,315	2	(1)
Foreign currency translation adjustment	**(1,331)**	865	–	–
Opening cash and bank	**57,264**	48,084	–	1
Cash at end of year	**53,272**	57,264	2	–
Composition of cash				
Cash and bank balances	**53,272**	57,264	2	–
RECONCILIATION WITH OPERATING SURPLUS				
Reported surplus after tax	**100,222**	107,217	104,831	108,799
Less associated entity surpluses	**(117)**	(246)	–	–
Add back minority interests	**1,899**	286	–	–
	102,004	107,257	104,831	108,799
Items not involving cash flows and non-operating cash flows				
Depreciation expense	**44,668**	40,980	13	20
Increase in employee share entitlement reserve	**3,336**	3,502	3,336	3,502
Amortisation expense	**3,010**	5,052	–	–
Amortisation of deferred expenditure	**1,303**	628	378	378
Increase in deferred taxation	**2,533**	3,872	–	–
Gain on foreign currency interest rate swap	**(1,500)**	–	–	–
Increase in future income tax benefit	**(11,494)**	–	–	–
Write-down of associate	**20,904**	–	–	–
Dividend from subsidiary	**–**	–	(130,000)	(125,000)
Write-down of subsidiary	**–**	–	2,214	–
Subsidiary transactions	**–**	–	(80,456)	(61,834)
Movement in foreign exchange	**1,573**	(2,351)	6	136
	64,333	51,683	(204,509)	(182,798)
Impact of changes in working capital items				
(Increase) / decrease in receivables and prepayments	**(29,742)**	(892)	17,328	9,883
(Increase) / decrease in income tax receivable	**(9,684)**	10,617	–	2,674
(Increase) / decrease in inventory	**(119)**	168	–	–
Increase / (decrease) in payables and accruals	**28,783**	3,696	(487)	(683)
	(10,762)	13,589	16,841	11,874
Items classified as investing activities				
Capital items included in working capital movements	**1,139**	2,154	–	–
Net cash flow from operating activities	**156,714**	174,683	(82,837)	(62,125)

STATEMENT OF ACCOUNTING POLICIES

For the year ended 30 June 2004

Entities reporting

The financial statements for the parent are for SKYCITY Entertainment Group Limited (the parent company) and the consolidated financial statements of the group comprising SKYCITY Entertainment Group Limited, its subsidiaries, associates and joint ventures.

Statutory base

SKYCITY Entertainment Group Limited is a company registered under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978.

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

Measurement base

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain assets as identified in specific accounting policies below.

Accounting policies

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

GROUP FINANCIAL STATEMENTS

The group financial statements consolidate the financial statements of subsidiaries, using the purchase method, and include the results of associates using the equity method. Subsidiaries are entities that are controlled, either directly or indirectly, by the parent. Associates are entities in which the parent, either directly or indirectly, has significant influence but not a controlling interest. All material transactions between subsidiaries or between the parent and subsidiaries are eliminated on consolidation.

The results of subsidiaries or associates acquired or disposed of during the year are included in the consolidated Statement of Financial Performance from the date of acquisition or up to the date of disposal.

REVENUE

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

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

INCOME TAX

The company follows the liability method of accounting for deferred taxation. The taxation charge against surplus for the year is the estimated liability in respect of that surplus after allowance for permanent differences between accounting and tax rules.

The impact of all timing differences between accounting and taxable income is recognised as a deferred tax liability or future income tax benefit. This is the comprehensive basis for the calculation of deferred tax under the liability method. Timing differences relating to interest capitalised to buildings are determined on a net present value basis over the estimated life of the buildings.

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

GOODS AND SERVICES TAX (GST)

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

FOREIGN CURRENCIES
Transactions
Transactions denominated in a foreign currency are converted to New Zealand dollars at the exchange rates in effect at the date of the transaction, except when forward currency contracts have been taken out to cover short-term forward currency commitments. Where short-term forward currency contracts have been taken out, the transaction is translated at the rate contained in the contract.

Foreign currency receivables and payables at balance date are translated at exchange rates current at balance date. Exchange gains and losses are brought to account in determining the surplus for the year, except where monetary liabilities are identified as a hedge against an independent foreign operation.

Foreign operations
Revenues and expenses of independent foreign operations are translated to New Zealand dollars at the exchange rates in effect at the date of the transaction, or at rates approximating them. Assets and liabilities are converted to New Zealand dollars at the rates of exchange ruling at balance date.

Exchange differences arising from the translation of independent foreign operations are recognised in the foreign currency translation reserve, together with unrealised gains and losses on foreign currency monetary liabilities that are identified as hedges against these operations.

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

The cost of self-constructed assets includes the cost of all materials used in construction, direct labour on the project, costs of obtaining Resource Management Act consents, financing costs that are directly attributable to the project and an appropriate proportion of variable and fixed overheads. Costs cease to be capitalised as soon as the asset is ready for productive use and do not include any inefficiency costs.

DEPRECIATION
As construction is completed and property, plant and equipment are used in operations, depreciation is charged on a straight-line basis so as to write off the cost of the assets to their estimated residual value over their expected useful lives. Gains and losses on disposals of property, plant and equipment are taken into account in determining the operating result for the year. The estimated economic lives are as follows:

Category	Estimated useful life
Buildings	5 – 75 years
Building fit-out	10 years
Plant and equipment	2 – 75 years
Fixtures and fittings	3 – 20 years
Software	3 – 5 years
Vehicles	3 years

DEFERRED EXPENDITURE
Costs directly incurred in obtaining and operating funding arrangements, such as origination, commitment and transaction fees, are amortised to earnings over the period of the funding arrangement. If an arrangement does not proceed, costs incurred in setting up the arrangement are expensed to earnings immediately.

Operator rights are expensed to earnings over the period of each management contract.

SKYCITY ENTERTAINMENT GROUP

LEASED ASSETS

As lessee – operating leases

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

As lessor – operating leases

Property leased out under operating leases is included as property, plant and equipment in the Statements of Financial Position and depreciated over its expected useful life. Rental income is brought to account on a straight-line basis over the lease term.

INVESTMENTS

The group and parent's investments are stated at the lower of cost or net realisable value in the Statements of Financial Position.

JOINT VENTURES

When a member of the group participates in a joint venture arrangement, that member recognises its proportionate interest in the individual assets, liabilities, revenues and expenses of the joint venture. The liabilities recognised include its share of those for which it is jointly liable.

INTANGIBLE ASSETS

Amortisation of casino licences acquired

Amortisation of casino licences is calculated on a straight-line basis so as to expense the cost of the licences over their legal lives. The directors review the carrying amounts annually and adjust the value of amortisation if impairment in value above normal amortisation has occurred.

Goodwill

Goodwill represents the excess of purchase consideration over the fair value of the net identifiable assets held by a subsidiary at the time of acquisition of shares in that subsidiary. Goodwill is capitalised and amortised over the period of expected benefit, which may be up to twenty years from the time of acquisition. The directors review the carrying amount annually and adjust the value of goodwill if impairment in value above normal amortisation has occurred.

IMPAIRMENT

Annually, the directors assess the carrying value of each asset. Where the estimated recoverable amount of the asset is less than its carrying amount, the asset is written down. The impairment loss is recognised in the Statements of Financial Performance.

INVENTORIES

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

ACCOUNTS RECEIVABLE

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

EMPLOYEE ENTITLEMENTS

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

FINANCIAL INSTRUMENTS

Recognised

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

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

Unrecognised

The parent company and group are also parties to financial instruments that have not been recognised in the financial statements. These instruments reduce exposure to fluctuations in interest rates and include fixed-rate borrowings, cross-currency interest rate swaps, interest rate swap and forward rate agreements, which have been transacted. Any risks associated with these instruments are not recorded in the financial statements. The net differential paid or received is recognised as a component of interest expense over the period of the agreement.

Forward exchange contracts entered into as hedges of foreign exchange assets and liabilities are valued at exchange rates prevailing at period end. Any unrealised gains or losses are offset against foreign exchange gains and losses on the related asset or liability. Premiums paid on currency options are amortised over the period to maturity.

Full disclosure of information about financial instruments to which the group is a party is provided in note 25.

STATEMENTS OF CASH FLOWS

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

- Operating activities are those activities relating to the trading and management of the business and include all transactions and other events that are not investing or financing activities. Cash receipts from customers are net of complimentaries.
- Investing activities are those activities relating to the acquisition, construction, holding and disposal of fixed assets and of investments. Investments can include securities not falling within the definition of cash.
- Financing activities are those activities that result in changes in the size and composition of the capital structure of the group. This includes both equity and debt not falling within the definition of cash. Share issues/repurchases and dividends paid in relation to the capital structure are included in financing activities.
- Cash is considered to be cash on hand including cash for use within the casino and current accounts in banks, net of bank overdrafts and short-term deposits.

CAPITAL NOTE INTEREST

Interest on capital notes is expensed to earnings consistent with other interest costs and is included in funding expenses in the Statements of Financial Performance.

SHARE OPTIONS

No remuneration expense is recognised in respect of share options issued pursuant to Executive and Non-executive Director Share Option Plans. When the options are exercised, the proceeds received are credited to share capital.

PRE-LICENCE EXPENDITURE

Pre-licence expenditure relates to expenditure incurred to obtain a casino premises licence. Pre-licence expenditure is expensed as incurred.

COMPARATIVES

Certain comparatives have been restated in order to conform to current year presentation.

Changes in accounting policies

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

1. SEGMENT INFORMATION

	New Zealand		Australia		Total	
	2004	2003	**2004**	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
GEOGRAPHIC SEGMENTS						
Assets	**948,833**	673,671	**226,126**	263,157	**1,174,959**	936,828
Revenue	**474,420**	448,328	**124,241**	115,985	**598,661**	564,313
Result						
Segment	**198,486**	189,964	**18,006**	17,922	**216,492**	207,886
Interest expense	**(38,999)**	(35,649)	**(14,068)**	(13,617)	**(53,067)**	(49,266)
Unusual item	**–**	–	**(20,904)**	–	**(20,904)**	–
Net segment result	**159,487**	154,315	**(16,966)**	4,305	**142,521**	158,620

The surplus is that of the group before income tax and minority interests. The unusual item relates to the write-off of the Canbet Limited investment.

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

2. REVENUE

	Consolidated		Parent Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Sales revenue	**590,479**	556,493	–	–
Investment revenue				
Share of associated companies profit after tax	**117**	246	–	–
Dividends from associated companies	**163**	–	–	–
Dividends from wholly owned entities	**–**	–	130,000	125,000
Interest received	**6,402**	2,795	598	1,695
Intercompany interest received	**–**	–	1,231	5,695
Other revenue				
Use of money interest received	**–**	2,046	–	–
Foreign currency gains	**1,500**	2,212	–	–
Other revenue	**–**	521	7,163	7,104
Total revenue	**598,661**	564,313	138,992	139,494

3. EXPENSES

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Company 2004 $'000	Parent Company 2003 $'000
Included within expenses are the following expense items:				
Operating expenses				
Depreciation – buildings	**10,190**	7,501	–	–
Depreciation – plant and equipment	**29,186**	26,890	5	5
Depreciation – motor vehicles	**48**	47	–	–
Depreciation – furniture and fittings	**5,244**	6,542	8	15
Total depreciation	**44,668**	40,980	13	20
Amortisation of intangibles	**2,465**	2,680	–	–
Amortisation of goodwill	**545**	2,372	–	–
Rental expense on operating leases	**7,674**	6,897	56	36
Employee remuneration	**160,675**	148,904	10,970	8,481
Foreign currency translation losses	**92**	–	–	–
Costs of offering credit				
Bad debts written off	**1**	30	–	–
Increase in estimated doubtful debts	**363**	294	–	–
Cost of borrowings				
Interest paid	**51,160**	47,592	14,050	13,837
Other funding expenses	**1,907**	1,674	–	–
Governance expenses				
Directors' fees	**392**	466	362	436
Fees paid to principal auditors'				
Assurance services:				
Statutory audit fees	**315**	232	36	35
Compliance audit fees	**360**	349	–	–
Accounting advice and assistance	**131**	21	87	88
Tax compliance services	**205**	221	182	226
	1,011	823	305	349
Other services:				
Taxation advisory services	**603**	518	235	212
Financial due diligence	**555**	36	–	–
International financial reporting standards accounting advice	**156**	–	–	–
IT project quality assurance	**71**	–	–	–
	1,385	554	235	212
Audit fees paid to other auditors	**51**	114	–	–
Total amounts paid to auditors	**2,447**	1,491	540	561
Sundry expenses				
Community trust and donations	**3,350**	3,187	–	–
Unusual items				
Write-down of investment in subsidiary	**–**	–	2,214	–
Write-off of investment in associate (Canbet Limited)	**20,904**	–	–	–

4. SHARE CAPITAL

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Company 2004 $'000	Parent Company 2003 $'000
ISSUED AND PAID-UP CAPITAL				
Ordinary shares				
Balance at beginning of year	**246,518**	232,180	246,518	232,180
Shares issued under dividend reinvestment scheme	**–**	22,372	–	22,372
Exercise of share options	**4,193**	2,555	4,193	2,555
Shares issued under employee bonus scheme	**2,816**	2,378	2,816	2,378
Shares repurchased and cancelled	**(27,656)**	(12,967)	(27,656)	(12,967)
Closing share capital	**225,871**	246,518	225,871	246,518

ORDINARY SHARES

On 14 November 2003 the company undertook a one-for-one share split. As at 30 June 2004 there were 416,401,490 shares issued and fully paid (2003: 420,271,176 adjusted for the share split). All ordinary shares rank equally with one vote attached to each fully paid ordinary share.

DIVIDEND REINVESTMENT PLAN

The Dividend Reinvestment Plan ceased in October 2002. There were no shares issued in lieu of cash dividends in the current year (2003: 3,220,407).

EXECUTIVE SHARE OPTION PLAN

1999 plan

Options issued prior to 2002 are pursuant to the Executive Share Option Plan approved by shareholders at the annual meeting of the company held on 28 October 1999. Options issued under the 1999 Plan are not exercisable earlier than one year after the date of issue and lapse if not exercised within five years of issue.

2002 plan

Options have also been issued pursuant to the Executive Share Option Plan approved by the board in August 2002. Options issued to executives under the 2002 Plan are not exercisable until after the third anniversary of the date of issue provided the terms and conditions of the plan are met, and lapse if not exercised within five years of issue.

The exercise price of options issued under both the 1999 and 2002 plans is the relevant base exercise price of the option (as defined in the plans), adjusted for the company's estimated cost of equity and dividends between the issue date and the exercise date of the options.

Movements in the number of share options outstanding under the 1999 and 2002 Executive Share Option plans are as follows:

	Consolidated 2004	Consolidated 2003	Parent Company 2004	Parent Company 2003
Balance at beginning of year	**4,798,140**	1,450,110	4,798,140	1,450,110
Granted	**1,062,000**	3,516,030	1,062,000	3,516,030
Exercised	**(435,348)**	(152,000)	(435,348)	(152,000)
Lapsed	**(136,333)**	(16,000)	(136,333)	(16,000)
Balance at end of year (number of options)	**5,288,459**	4,798,140	5,288,459	4,798,140

4. SHARE CAPITAL (CONTINUED)

Executive share options outstanding at the end of the year have the following terms:

Issue Date	Expiry Date	Base Exercise Price at date of issue	Option Value at date of issue	Consolidated 2004	Consolidated 2003	Parent Company 2004	Parent Company 2003
26/08/99	26/08/04	$7.52	$0.45	**–**	114,110	–	114,110
30/08/00	30/08/05	$7.68	$0.37	**348,429**	435,000	348,429	435,000
04/09/01	04/09/06	$11.61	$0.82	**539,500**	733,000	539,500	733,000
10/09/02	10/09/07	$7.05	$0.46	**3,395,530**	3,516,030	3,395,530	3,516,030
09/09/03	09/09/08	$8.83	$0.58	**1,005,000**	–	1,005,000	–
				5,288,459	4,798,140	5,288,459	4,798,140

As a result of one-for-one share splits on 16 November 2001 and 14 November 2003, the 2000 and 2001 options all convert to four shares upon exercise and the 2002 and 2003 options convert to two shares upon exercise.

NON-EXECUTIVE DIRECTORS' SHARE OPTION PLAN

Pursuant to the Non-Executive Directors' Share Option Plan approved by shareholders at the annual meeting of the company held on 26 October 2000, 129,211 options are on issue to non-executive directors as at 30 June 2004 (2003: 150,175).

Options are not exercisable until one year after the date of issue provided the terms and conditions of the Plan are met, and lapse if not exercised within five years of issue. The exercise price of the options issued under this Plan is the relevant base exercise price of the option (as defined in the plan), adjusted for the company's estimated cost of equity and dividends between the issue date and the exercise date of the options.

Movements in the number of share options outstanding under the Non-Executive Directors' Share Option Plan are as follows:

	Consolidated 2004	Consolidated 2003	Parent Company 2004	Parent Company 2003
Balance at beginning of year	**150,175**	85,365	150,175	85,365
Granted	**–**	125,785	–	125,785
Exercised	**(20,964)**	(60,975)	(20,964)	(60,975)
Balance at end of year (number of options)	**129,211**	150,175	129,211	150,175

Non-Executive director share options outstanding at the end of the year have the following terms:

Issue Date	Expiry Date	Base Exercise Price at date of issue	Option Value at date of issue	Consolidated 2004	Consolidated 2003	Parent Company 2004	Parent Company 2003
04/09/01	04/09/06	$11.61	$0.82	**24,390**	24,390	24,390	24,390
10/09/02	10/09/07	$7.05	$0.48	**104,821**	125,785	104,821	125,785
				129,211	150,175	129,211	150,175

As a result of one-for-one share splits on 16 November 2001 and 14 November 2003, the 2001 options will convert to four shares and the 2002 options will convert to two shares when exercised.

4. SHARE CAPITAL (CONTINUED)

OPTION VALUATION

The options are valued using the Black Scholes model. The calculation is prepared by Deloitte Corporate Finance and reviewed by PricewaterhouseCoopers as auditors. Under this calculation the value of all options issued during the year was $746,460 (2003: $1,655,182).

REPURCHASE AND CANCELLATION OF SHARES

On 5 November 2002 SKYCITY Entertainment Group Limited announced that it would commence a share buyback programme of the company's shares from 3 March 2003. The share buyback programme was completed on 30 November 2003. Summary details are set out below and are prior to the share split on 14 November 2003.

	Shares Repurchased	Average Purchase Price
March 2003	**1,390,283**	$ 8.36
April 2003	**168,370**	$ 7.98
August 2003	**104,394**	$ 8.87
September 2003	**1,986,319**	$ 8.71
October 2003	**1,005,068**	$ 8.67
November 2003	**80,000**	$ 8.92
Total shares repurchased	**4,734,434**	$ 8.58

5. RESERVES

	Consolidated		Parent Company	
	2004 $'000	2003 $'000	2004 $'000	2003 $'000
Foreign currency translation reserve	**(14,172)**	(4,219)	–	–
Employee share entitlement reserve	**6,662**	6,151	6,662	6,151
Total reserves	**(7,510)**	1,932	6,662	6,151
ANALYSIS				
Foreign currency translation reserve				
Balance at beginning of year	**(4,219)**	(5,330)	–	–
Effect of hedging the net investment of overseas subsidiaries	**(3,885)**	(134)	–	–
Exchange difference on translation of overseas subsidiary	**(6,068)**	1,245	–	–
Balance at end of year	**(14,172)**	(4,219)	–	–
Employee share entitlement reserve				
Balance at beginning of year	**6,151**	5,044	6,151	5,044
Less value of shares issued during the year	**(2,816)**	(2,378)	(2,816)	(2,378)
Less cash issued in lieu of shares	**(9)**	(17)	(9)	(17)
Plus value of share entitlements for current year	**3,336**	3,502	3,336	3,502
Balance at end of year	**6,662**	6,151	6,662	6,151

Under the SKYCITY Performance Pay Incentive Plan (PPI), selected employees have been eligible for performance-related bonuses in respect of each of the financial years ending 30 June 2000 through 30 June 2004. The employee share entitlement reserve represents the value of ordinary shares to be issued in respect of the plan for the years ended 30 June 2000 through 30 June 2004.

5. RESERVES (CONTINUED)

Shares under PPI are issued in three equal instalments, being one third of the shares on the bonus declaration date, and provided eligibility criteria continue to be met, one third on the next entitlement date (approximately 12 months later) and one third on the final entitlement date (approximately 24 months later).

Shares are issued at the average closing price of SKYCITY Entertainment Group Limited's shares on the New Zealand Exchange on the ten business days following the release to the New Zealand Exchange of SKYCITY Entertainment Group Limited's annual result for the relevant year of the Plan.

Shares issued have the same rights as existing ordinary shares and are issued as soon as possible after the tenth business day following the release of the SKYCITY annual result.

6. RETAINED EARNINGS

	Consolidated		Parent Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Balance at beginning of year	**(7,492)**	18,653	(35,001)	(10,438)
Net surplus for the year	**100,222**	107,217	104,831	108,799
Dividends paid	**(100,004)**	(133,362)	(100,004)	(133,362)
Balance at end of year	**(7,274)**	(7,492)	(30,174)	(35,001)
Composition				
Parent and subsidiaries	**(7,981)**	(8,082)		
Associates	**707**	590		
	(7,274)	(7,492)		

7. DIVIDENDS

	Consolidated		Parent Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Ordinary dividends				
Interim dividend paid in cash	**45,691**	44,217	45,691	44,217
Prior year final dividend paid in cash	**54,313**	24,478	54,313	24,478
Dividend reinvestment in shares	**–**	22,372	–	22,372
Special dividend paid in cash	**–**	42,295	–	42,295
Total dividends	**100,004**	133,362	100,004	133,362

The dividends are fully imputed.

Subsequent to year end the board of directors resolved to pay a final dividend of 15.5 cents per ordinary share, a total of approximately $64,542,231. The dividend will be paid on 8 October 2004 to all shareholders on the company's share register at the close of business on Friday, 24 September 2004.

8. IMPUTATION BALANCES

	Consolidated 2004 $'000	Consolidated 2003 $'000
Imputation credit account		
Balance at beginning of year	**7,435**	38,868
Tax payments, net of refunds	**45,398**	27,514
Credits attached to dividends paid	**(49,255)**	(65,688)
Supplementary tax credits	**6,058**	6,741
Balance at end of year	**9,636**	7,435

9. MINORITY INTERESTS

	Consolidated 2004 $'000	Consolidated 2003 $'000
Balance at beginning of year	**5,607**	5,321
Share of surpluses in subsidiaries	**1,899**	286
Increased shareholding in SKYCITY Leisure Limited and Riverside Casino Limited	**(5,190)**	–
Minority interest in contributions from owners	**1,200**	–
Balance at end of year	**3,516**	5,607

SKYCITY LEISURE LIMITED

On 10 June 2004 SKYCITY Investments Auckland Limited, a wholly-owned subsidiary of SKYCITY Entertainment Group Limited, gave notice to the New Zealand Exchange that it had become the dominant owner of SKYCITY Leisure Limited by virtue of being the holder or controller, directly or indirectly, of 90% or more of the voting rights in SKYCITY Leisure.

Compulsory acquisition notices were issued to outstanding ordinary share and mandatory convertible note holders on 15 June 2004, with the compulsory acquisition being completed on 13 July 2004.

As at 30 June 2004 SKYCITY Leisure has been treated as a wholly-owned subsidiary of SKYCITY Entertainment Group. All prior period minority interests relating to SKYCITY Leisure are now reflected in the fair value and goodwill relating to the SKYCITY Leisure investment. All ordinary shares and mandatory convertible notes are now owned by SKYCITY Entertainment Group and are eliminated from the group financial statements on consolidation.

RIVERSIDE CASINO LIMITED

At 30 June 2004 there was an unconditional sale and purchase agreement for SKYCITY Entertainment Group Limited to purchase the 15% of Riverside Casino Limited owned by Tainui Developments Limited. This transaction was completed on 28 July 2004. All prior period minority interest relating to Tainui Developments' shareholding in Riverside Casino Limited is now reflected in the fair value and goodwill relating to the Riverside Casino Limited investment.

10. BORROWINGS

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Company 2004 $'000	Parent Company 2003 $'000
Current				
Secured				
Bank loans	**1,000**	1,000	–	–
Unsecured				
Bank loans	**100,000**	–	–	–
Total current borrowings	**101,000**	1,000	–	–
NON-CURRENT				
Secured				
Bank loans	**66,827**	439,810	–	–
Less deferred funding expenses	**(3,860)**	(2,697)	–	–
	62,967	437,113	–	–
Unsecured				
Bank loans	**517,000**	–	–	–
Total non-current borrowings	**579,967**	437,113	–	–

SECURITY
A new facility of NZ$1,000,000,000, on an unsecured, negative pledge basis, was available to the group as at 30 June 2004.

At balance date, the loan outstanding was $617,000,000. The weighted average interest rate at 30 June 2004, inclusive of bank margin and hedging instruments, was 6.82%.

The negative pledge facility comprises:

– A three year fixed term facility of $350,000,000, maturing April 2007; a five year fixed term facility of $100,000,000, maturing April 2009; a one year bridging facility of $350,000,000, maturing April 2005 and a revolving credit facility of $200,000,000, maturing April 2007.

– For each of the fixed term facilities there is a one year extension each anniversary at the option of the lenders.

– The New Zealand dollar facility of $493,615,645 that was secured by way of composite debenture, was repaid during the year and replaced by the above negative pledge facility. The facility comprised a fixed term facility of $326,275,578 and a revolving credit facility of $167,340,067. The 30 June 2003 balance of the repaid facility was $361,275,578 with a weighted average interest rate, inclusive of bank margin and hedging instruments of 6.36%.

QUEENSTOWN CASINOS LIMITED
Queenstown Casinos Limited repaid its bank facility on 31 December 2003 (30 June 2003 $3,000,000).

RIVERSIDE CASINO LIMITED
At balance date, Riverside Casino Limited (RCL) had a bank facility of $19,000,000 (2003: $20,000,000), of which $9,000,000 was drawn down (2003: $15,000,000). The loan is secured by a composite general security over the assets of RCL and a mortgage over real property owned by RCL. This facility limit amortises $1,000,000 per annum. This facility currently expires on 16 September 2005, but includes a one year right of extension.

10. BORROWINGS (CONTINUED)

SKYCITY LEISURE GROUP

At balance date, SKYCITY Leisure Limited had four secured loans totalling $58,827,399 (2003: four secured loans totalling $61,534,834).

The loans are secured by a variety of registered mortgages or debentures over individual properties and the assets and undertakings of the SKYCITY Leisure Group as follows:

- A bank term loan facility of $37,405,000 (2003: $38,405,000) secured by an assignment by way of security of SKYCITY Leisure's interest in the New Zealand and Fiji cinema joint ventures, assignment by way of security of SKYCITY Leisure's interest in Planet Hollywood (Civic Centre) Limited, a first registered mortgage over and assignment by way of security of all lease agreements of SKYCITY Metro Limited, and a first registered mortgage over 82 Symonds Street, Auckland. The interest rate, inclusive of bank margin, at 30 June 2004 was 8.21% (2003: 8.24%). Reductions of $250,000 per quarter are made against the facility as well as half yearly payments based on the net rental of SKYCITY Metro.
- A bank cash advance facility with a limit of $22,000,000, drawn to $20,500,000 as at 30 June 2004 (2003: $22,000,000). This facility has the same security as the bank term loan facility above. There are no scheduled amortisations and the interest rate, inclusive of bank margin, at 30 June 2004 was 7.25% (2003: 7.19%).
- A bank term loan facility of $869,899 (2003: $1,062,334) secured by first mortgage over the Fiji multiplex. The interest rate, inclusive of bank margin, at 30 June 2004 was 8.25% (2003: 8.25%).
- A bank term loan facility to Village Rialto Cinemas Limited of $52,500 (2003: $67,500) secured by registered mortgage debenture over Village Rialto Cinemas Limited. Village SKYCITY Cinemas Limited provides a guarantee for 50% of the outstanding facility. The interest rate, inclusive of bank margin, at 30 June 2004 was 6.60% (2003: 7.10%).

WEIGHTED AVERAGE INTEREST RATE

The weighted average interest rate on banking facilities (inclusive of margin) on the group's debt, incurred during the year ended 30 June 2004, was 7.13% (2003: 7.38%).

11. DEFERRED TAX LIABILITY

	Consolidated		Parent Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Non-current				
Balance at beginning of year	**24,683**	20,811	–	–
Prior year timing differences	**770**	1,049	–	–
Current year movements	**2,722**	2,823	–	–
Foreign currency adjustment	**(959)**	–	–	–
Balance at end of year	**27,216**	24,683	–	–

12. INCOME TAX

	Consolidated		Parent Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Surplus before tax	**142,521**	158,620	104,831	108,799
Permanent differences				
Previously unrecognised tax losses and timing differences	**(28,198)**	–	–	–
Non-deductible write-off of associate	**20,904**	–	–	–
Adjustment for other tax rates	**(9,886)**	(220)	–	–
Capitalised interest	**(4,160)**	–	–	–
Over-provision in prior years	**(1,870)**	(3,086)	–	(105)
Expenditure not deductible for tax	**3,172**	5,837	560	503
Additional depreciable value	**(588)**	(3,010)	–	–
Foreign exchange rate differences	**382**	–	–	–
Future income tax benefits not recognised	**148**	483	–	–
Non-taxable income	**–**	(3,724)	–	–
Dividends received	**–**	–	(130,000)	(125,000)
Inter-company eliminations	**–**	–	24,609	15,803
Surplus subject to tax	**122,425**	154,900	–	–
Tax at 33%	**40,400**	51,117	–	–
Income tax recognised in the Statements of Financial Performance	**40,400**	51,117	–	–
Comprising				
Current taxation	**46,204**	49,342	–	–
Future income tax benefit	**(8,017)**	(2,096)	–	–
Deferred income tax liability	**2,722**	3,871	–	–
Overestimation in prior years	**(509)**	–	–	–
	40,400	51,117	–	–

The parent company, together with its New Zealand based wholly-owned subsidiary companies, excluding SKYCITY Management (Auckland) Limited, SKYCITY Investments Auckland Limited and SKYCITY Wellington Limited, form a consolidated group for income tax purposes. SKYCITY Leisure group companies form a consolidated group for income tax purposes. Accordingly, income tax payments and imputation credit movements are generally reported on a consolidated basis and are available to shareholders through their shareholding in the parent company.

At 30 June 2004 the group has income tax receivable of $9,998,860 (2003: $315,071).

13. PAYABLES AND ACCRUALS

	Consolidated		Parent Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Current				
Trade creditors	**12,439**	8,709	–	89
Accrued expenses	**53,782**	37,900	1,891	2,289
Employee entitlements	**16,296**	18,227	–	–
Purchase of minority interest in subsidiary	**11,102**	–	–	–
	93,619	64,836	1,891	2,378

14. CAPITAL NOTES

	Consolidated		Parent Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Current				
Balance at beginning of year	**150,000**	150,000	150,000	150,000
Balance at end of year	**150,000**	150,000	150,000	150,000
Deferred expenses at cost	**1,875**	1,875	1,875	1,875
Accumulated amortisation	**(1,519)**	(1,141)	(1,519)	(1,141)
Balance at end of year	**356**	734	356	734
Net capital notes at end of year	**149,644**	149,266	149,644	149,266

The capital notes have been classified as current based on the 15 May 2005 election date. The comparative figures were classified as non-current in the 2003 Statement of Financial Position.

On 5 May 2000, SKYCITY Entertainment Group Limited issued a prospectus offering up to 150 million unsecured subordinated capital notes at an issue price of $1.00 per note. The offer closed on 28 July 2000 and 150 million capital notes had been issued at that date. The capital notes offer holders a fixed interest rate until the first election date, being 15 May 2005. Election dates will occur every five years after the first election date.

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

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

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

15. CONVERTIBLE NOTES

	Consolidated		Parent Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Balance at beginning of year	**13,365**	9,315	–	–
Minority interests in convertible notes purchased during the year	**(4,455)**	–	–	–
Minority interests in convertible notes issued during the year	**–**	4,050	–	–
Balance at end of year	**8,910**	13,365	–	–

Convertible notes issued by the subsidiary company Riverside Casino Limited are as follows:

Class	Price	Number of notes	Rate of interest
A – issued 21 March 2000	$1.00	**5,619,888**	15.00%
A – issued 2 September 2002	$1.00	**2,700,000**	10.00%
B – issued 21 March 2000	$1.00	**4,683,240**	15.00%
B – issued 2 September 2002	$1.00	**2,250,000**	10.00%
C – issued 21 March 2000	$1.10	**4,683,240**	13.64%
C – issued 2 September 2002	$1.00	**2,250,000**	10.00%
D – issued 21 March 2000	$1.40	**3,746,592**	10.71%
D – issued 2 September 2002	$1.00	**1,800,000**	10.00%
		27,732,960	

At 30 June 2004 there was an unconditional sale and purchase agreement for SKYCITY Entertainment Group Limited to acquire Tainui Developments Limited's 15% shareholding in Riverside Casino Limited. The purchase price was $10,500,000, which was settled on 28 July 2004. The convertible notes appearing in the consolidated Statement of Financial Position, $8,910,000 (2003: $13,365,000) represent the remaining minority shareholders portion of the notes issued by Riverside Casino Limited.

Interest payable on the convertible notes is accrued quarterly in arrears.

The convertible notes have been issued on the basis that payments by noteholders will be due at such time or times and in such instalments as is determined from time to time by the board of directors of Riverside Casino Limited. The convertible notes are unsecured and rank without any preference among the classes and all classes are pari-passu in all respects.

The convertible notes will be converted into ordinary shares on the maturity date 21 March 2010. Riverside Casino Limited may elect that all or some of the notes be converted at an earlier date.

The convertible notes do not carry any voting rights. Convertible notes are not entitled to any distributions made by Riverside Casino Limited in respect of its ordinary shares prior to the conversion date of the convertible notes.

16. PROPERTY, PLANT AND EQUIPMENT

	2004 Cost or valuation $'000	2004 Accum. depreciation $'000	2004 Book value $'000	2003 Cost or Valuation $'000	2003 Accum. depreciation $'000	2003 Book value $'000
GROUP						
Buildings						
Buildings at cost	**492,623**	**(66,945)**	**425,678**	447,770	(42,033)	405,737
Land						
Land at cost	**84,224**	**–**	**84,224**	84,296	–	84,296
Plant and equipment						
Plant and equipment at cost	**218,692**	**(128,197)**	**90,495**	214,078	(117,428)	96,650
Motor vehicles						
Motor vehicles at cost	**358**	**(304)**	**54**	334	(256)	78
Fixtures and fittings						
Furniture, fixtures and fittings at cost	**58,936**	**(37,800)**	**21,136**	58,413	(33,405)	25,008
Other capital assets						
Capital work in progress	**128,680**	**–**	**128,680**	25,221	–	25,221
	983,513	**(233,246)**	**750,267**	830,112	(193,122)	636,990
PARENT						
Plant and equipment						
Plant and equipment at cost	**232**	**(107)**	**125**	153	(103)	50
Furniture, fixtures and fittings						
Furniture, fixtures and fittings at cost	**243**	**(123)**	**120**	201	(114)	87
	475	**(230)**	**245**	354	(217)	137

Borrowing costs in relation to the funding of the SKYCITY Grand Hotel, SKYCITY Auckland Convention Centre and the gaming expansion have been capitalised to these projects, $5,610,912 (2003: $1,172,706). Total capitalised interest and facility fees included in the cost of land and buildings at 30 June 2004 is $39,758,618 (2003: $34,147,706).

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

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

Part of the Riverside Casino Limited Hamilton property is held on trust for Perry Developments Limited. This area comprises the parts of the property not including the casino premises and the carpark. These areas will be transferred to Perry Developments Limited when strata titles are issued for the complex. Drainage rights have been granted over parts of the land appurtenant to Lot 2 Plan 5.23789 (CT22C/1428). There is also a right of way granted over part of Lot 1 and part of Lot 2 DP580554.

The SKYCITY Hamilton site is also subject to the normal rights that the Crown reserves in respect of minerals and mining in relation to the sub-soil areas. Furthermore, the land title is subject to Section 27B of the State Owned Enterprises Act 1986 which does not provide for the owner of the land to be heard in relation to any recommendations of the Waitangi Tribunal for the resumption of the land. At balance date the company was not aware of any matters pertaining to the land under the State Owned Enterprises Act 1986.

17. COMMITMENTS

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

	Consolidated		Parent Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Operating leases				
Non-cancellable operating lease commitments:				
Payable not later than one year	**5,710**	8,430	7	7
Payable later than one, not later than two years	**6,625**	7,509	2	7
Payable later than two, not later than five years	**28,128**	39,310	–	2
Payable later than five years	**145,538**	148,985	–	–
	186,001	204,234	9	16

Operating lease commitments include a sub-soil lease on the SKYCITY Auckland site (16 years and six months remaining), a premises lease for the SKYCITY Adelaide site (81 years remaining) and a premises lease for the SKYCITY Queenstown Casino site (three years remaining).

	Consolidated		Parent Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Capital expenditure				
Amounts committed to capital expenditure	**63,809**	143,355	–	–

The above capital expenditure relates to purchases of plant and equipment for the Auckland, Adelaide and Queenstown complexes and construction and fit-out costs associated with the SKYCITY Grand Hotel, SKYCITY Auckland Convention Centre and the Auckland gaming expansion.

18. INVESTMENTS IN SUBSIDIARIES

The parent's investment in subsidiaries comprises shares at cost. Significant subsidiaries comprise:

Name of entity	Principal activities	Interest held by the group 2004	2003
SKYCITY Auckland Holdings Limited	Group funding	**100%**	100%
SKYCITY Auckland Limited	Casino premises licence holder	**100%**	100%
SKYCITY Casino Management Limited	Casino operator's licence holder	**100%**	100%
SKYCITY Management (Auckland) Limited	Employment of staff	**100%**	100%
Abdiel Investments Limited	Property	**100%**	100%
SKYCITY Construction Limited	Non-trading	**100%**	100%
Sky Tower Limited	Non-trading	**100%**	100%
SKYCITY Wellington Limited	Promotion company	**100%**	100%
Riverside Fund Limited	Holding company	**100%**	100%
SKYCITY International Holdings Limited	Holding company	**100%**	100%
SKYCITY International ApS	Danish holding company, incorporated in Denmark	**100%**	100%
SKYCITY Australia Pty Limited	Australian holding company, incorporated in Australia	**100%**	100%
SKYCITY Adelaide Pty Limited	Adelaide Casino licence holder and operator, incorporated in Australia	**100%**	100%
SKYCITY Investments Limited	Holding company	**100%**	100%
SKYCITY Investments Auckland Limited	Holding company (formed 2004)	**100%**	
SKYCITY Action Management Limited	Loyalty programme	**100%**	100%
Queenstown (Hard Rock) Investments Limited	Joint venture partner	**100%**	100%
Queenstown Casinos Limited	Casino premises licence holder	**60%**	60%
Riverside Casino Limited	Casino premises licence holder	**70%**	55%
Riverside Casino Construction Limited	Property owner	**70%**	55%
SKYCITY Leisure Limited	Holding company	**100%**	74%
SKYCITY Leisure Holdings Limited	Property and administration	**100%**	74%
SKYCITY Cinemas Limited	Cinema exhibition	**100%**	74%
SKYCITY Metro Limited	Property	**100%**	74%
SKYCITY Cinemas (Fiji) Limited	Cinema exhibition	**100%**	74%
SKYCITY Cinemas (Whangarei) Limited	Cinema exhibition (formed 2004)	**100%**	

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

19. INVESTMENTS IN ASSOCIATES

Significant associates comprise:

Name of entity	Principal activities	Interest held by the group 2004	2003
Canbet Limited	On-line wagering	**33%**	33%
Village Cinemas SA (Argentina)	Cinema exhibition	**25%**	25%
Vista Entertainment Solutions Limited	Ticket software systems	**25%**	25%

Canbet Limited is incorporated in Australia and Village Cinemas SA is incorporated in Argentina. Vista Entertainment Solutions Limited is incorporated in New Zealand.

Village Roadshow Limited holds an option in respect of 40% of SKYCITY's shareholding in Village Cinemas SA (10% of total shares). Refer Note 26.

All entities have balance dates of 30 June with the exception of Vista Entertainment Solutions Limited, which has a 31 December balance date. The directors are not aware of any significant events or transactions since Vista Entertainment Solutions Limited's balance date.

On 11 August 2000, SKYCITY International ApS acquired 6.58% of the shares in Canbet Limited (a public company listed on the Australian Stock Exchange). This shareholding was increased to 21.58% on 7 February 2001 and further increased to 32.63% on 8 March 2002.

The carrying value of the investment in Canbet Limited of $20,904,215 has been written-off during the year and is included in the Statement of Financial Performance. The write-off consists of the investment $9,849,500, goodwill, $11,324,794 and accumulated losses ($270,079).

As a result of acquiring the shares in SKYCITY Leisure Limited on 20 March 2001 and the subsequent 100% acquisition on 13 July 2004, the SKYCITY Entertainment Group indirectly acquired holdings in associated companies being Village Cinemas SA and Vista Entertainment Solutions Limited. The investment in Village Cinemas SA is carried at nil value in the consolidated Statement of Financial Position.

	Consolidated 2004 $'000	Consolidated 2003 $'000	Parent Company 2004 $'000	Parent Company 2003 $'000
Results of associates				
Share of surplus (less deficits) before income tax	**175**	298	–	–
Income tax	**(58)**	(52)	–	–
Total recognised revenues and expenses	**117**	246	–	–
Interests in associates				
Carrying value				
Balance at beginning of year	**21,586**	23,306	–	–
Share of total recognised revenues and expenses	**117**	246	–	–
Associate disposed of during the year	**(100)**	–	–	–
Amortisation of goodwill on acquisition of associates	**–**	(1,442)	–	–
Write-off of associate during the year (Canbet investment)	**(20,904)**	–	–	–
Foreign currency translation impact	**(444)**	(524)	–	–
Total investments in associates	**255**	21,586	–	–

20. JOINT VENTURES

HARD ROCK JOINT VENTURE

In December 2000 the group entered into a joint venture to operate the Hard Rock Cafe in Queenstown, New Zealand. The group has a 50% interest. The financial statements of the joint venture are unaudited. The joint venture has a balance date of 30 June. The Hard Rock joint venture results are not significant to the group result. It is the group's intention to dissolve the Hard Rock joint venture during the 2005 financial year.

SKYCITY LEISURE JOINT VENTURES

As a result of acquiring shares in SKYCITY Leisure Limited on 20 March 2001 and the subsequent 100% acquisition completed on 13 July 2004, the SKYCITY group acquired the following indirect joint venture interests:

		Interest held by the group	
Name of entity	Principal activities	**2004**	2003
Village SKYCITY Cinemas JV	Cinema owner/operator	**50%**	50%
Village SKYCITY Hoyts Queen St Cinema JV	Cinema owner/operator	**33%**	33%
Village Rialto Cinemas JV	Cinema owner/operator	**25%**	25%
Damodar Village SKYCITY Fiji Cinemas JV	Cinema owner/operator	**33%**	33%

All the above joint ventures have been audited.

20. JOINT VENTURES (CONTINUED)

	Consolidated		Parent Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
FINANCIAL PERFORMANCE				
The group's share of operating revenues and expenses of joint ventures, proportionately consolidated, was:				
Revenue	**34,529**	33,857	–	–
Expenses	**(28,367)**	(26,674)	–	–
Net contribution to group operating surplus	**6,162**	7,183	–	–
FINANCIAL POSITION				
The group's share of assets and liabilities of joint ventures, proportionately consolidated, was:				
Current assets				
Cash and bank balances	**2,769**	2,282	–	–
Receivables and prepayments	**552**	743	–	–
Other	**205**	239	–	–
	3,526	3,264	–	–
Non-current assets				
Property, plant and equipment	**14,752**	16,541	–	–
Other	**288**	296	–	–
	15,040	16,837	–	–
Share of total assets included in group	**18,566**	20,101	–	–
Liabilities				
Payables and accruals	**2,306**	2,563	–	–
Other	**1,264**	415	–	–
Borrowings	**922**	1,130	–	–
Share of total liabilities included in group	**4,492**	4,108	–	–
Net assets employed in the joint ventures	**14,074**	15,993	–	–

21. OTHER INVESTMENTS

	Consolidated		Parent Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Acquired during the year: Christchurch Casinos Limited	**94,609**	–	–	–

The purchase of a 40.5% interest in Christchurch Casinos Limited was completed on 28 June 2004 and has been accounted for as an investment to reflect the governance structures as at 30 June 2004.

22. FUTURE INCOME TAX BENEFIT

	Consolidated		Parent Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Non-current				
Balance at beginning of year	**3,151**	476	–	–
Prior year timing differences	**933**	–	–	–
Current year movements	**(1,289)**	2,675	–	–
Previously unrecognised losses and timing differences	**9,305**	–	–	–
Foreign exchange adjustment	**(262)**	–	–	–
Impact of purchase and disposal of subsidiaries	**2,807**	–	–	–
	14,645	3,151	–	–

Realisation of future income tax benefits recognised is subject to the requirements of the income tax legislation being met.

23. INTANGIBLE ASSETS

	Consolidated		Parent Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Adelaide casino licence				
Casino licence at beginning of year	**203,029**	203,961	–	–
Accumulated amortisation at beginning of year	**(7,149)**	(4,806)	–	–
Unamortised balance at beginning of year	**195,880**	199,155	–	–
Foreign currency translation	**(7,510)**	(932)	–	–
Current year amortisation	**(2,365)**	(2,343)	–	–
Unamortised balance at end of year	**186,005**	195,880	–	–
Rights and concessions				
Rights and concessions at beginning of year	**2,250**	2,250	–	–
Accumulated amortisation at beginning of year	**(337)**	–	–	–
Unamortised balance at beginning of year	**1,913**	2,250	–	–
Current year amortisation	**(100)**	(337)	–	–
Unamortised balance at end of year	**1,813**	1,913	–	–
Goodwill on consolidation				
Goodwill on consolidation at beginning of year	**14,071**	14,071	–	–
Accumulated amortisation at beginning of year	**(4,308)**	(3,379)	–	–
Unamortised balance at beginning of year	**9,763**	10,692	–	–
Goodwill arising on the acquisition of subsidiaries	**15,337**	–	–	–
Current year amortisation	**(545)**	(929)	–	–
Unamortised balance at end of year	**24,555**	9,763	–	–
Other intangibles				
Franchise fees at cost	**–**	288	–	–
Total intangible assets	**212,373**	207,844	–	–

23. INTANGIBLE ASSETS (CONTINUED)

CASINO LICENCE
SKYCITY Entertainment Group Limited acquired the Adelaide Casino licence on 30 June 2000 as a result of the acquisition of 100% of the shares in SKYCITY Adelaide Pty Limited, through its wholly-owned subsidiary SKYCITY Australia Pty Limited, on that date. The cost of the casino licence and other assets and liabilities of SKYCITY Adelaide Pty Limited have been determined by the directors applying fair value assessments to all assets (including the casino licence) and liabilities acquired as part of the acquisition of SKYCITY Adelaide Pty Limited. The casino licence is being amortised over 85 years, being the length of the licence.

GOODWILL
The goodwill arising on the acquisition of subsidiaries relates to the acquisition of the outstanding minority interest in SKYCITY Leisure Limited and the increased interest in Riverside Casino Limited. As a result of the increased level of ownership in both SKYCITY Leisure Limited and Riverside Casino Limited the amortisation period of goodwill has been increased to 20 years.

24. RECEIVABLES AND PREPAYMENTS

	Consolidated		Parent Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Current				
Trade receivables	**3,903**	1,727	–	–
Sundry receivables	**5,438**	2,144	3,202	144
Prepayments	**1,804**	1,601	66	104
MGM Darwin deposit and capitalised costs	**25,377**	–	25,377	–
Amounts due from subsidiaries	**–**	–	113,342	159,067
Other receivables	**–**	1,308	–	–
	36,522	6,780	141,987	159,315

25. FINANCIAL INSTRUMENTS

The group is subject to currency risk, interest rate risk and credit risk as a result of its operations.

To manage and limit the effects of those financial risks, the board of directors has approved policy guidelines and authorised the use of various financial instruments. The policies approved, and financial instruments being utilised at balance date, are outlined below.

CURRENCY RISK
Foreign exchange risk arises from movements in foreign exchange rates and can impact cash flows.

Payments to overseas suppliers are made using the currency conversion rate as at the date of payment. The value of such transactions has been and will continue to be at a relatively low level.

For certain more significant committed expenditure it is the group's policy to enter into foreign exchange forward contracts to manage the exposure to fluctuations in currency rates. Foreign exchange contracts as at 30 June 2004 were A$187,500,000 (2003: US$121,610, A$771,390).

The currency risk and interest rate risk associated with net Australian dollar investments is partially hedged through utilisation of cross currency interest rate swaps and swap contracts within the parameters set out in the group treasury policy. At 30 June 2004 there was A$75,000,000 (2003: A$75,000,000) of cross currency interest rate swaps and A$65,000,000 (2003: A$75,000,000) of interest rate swaps.

25. FINANCIAL INSTRUMENTS (CONTINUED)

INTEREST RATE RISK

To ensure that the group's cost of funds is reasonably predictable from year to year, it is the group's policy that floating rate debt not exceed 50% of total debt. Furthermore, of fixed rate debt, 20% to 70% must reprice within one to four years, 20% to 60% in four to seven years and 0% to 30% in seven to ten years.

The group uses interest rate swaps and forward rate agreements to manage its interest rate risk.

The interest rate on debt is either converted from floating to fixed or fixed to floating, through entering into an interest rate swap agreement. Interest rate swaps are entered into for periods up to ten years.

Forward rate agreements are used to fix interest rates on the group's underlying debt for periods commencing in the future. Group treasury policy requires that forward rate agreements start no later than twelve months in the future.

Unrecognised balances

The notional or principal contract amounts of interest rate swaps outstanding at balance date are:

	Consolidated		Parent Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
Interest rate swaps (fixed to floating)	**120,000**	120,000	–	–
Interest rate swaps (floating to fixed)	**708,929**	489,918	–	–
Cross-currency interest rate swaps	**86,167**	84,175	–	–
	915,096	694,093	–	–

The current value of interest rate swaps is $3,889,481 (2003: ($18,595,093)).

Repricing analysis

The following tables identify the periods in which interest rates are subject to review on interest bearing financial assets and liabilities, and provide the current weighted average interest rate of each item.

Trade receivables, trade creditors and sundry receivables and creditors have not been included in the tables as they are not interest rate sensitive.

25. FINANCIAL INSTRUMENTS (CONTINUED)

GROUP 2004

	Effective Interest Rates %	Current $'000	1–2 years $'000	2–5 years $'000	>5 years $'000	Total $'000
Assets						
Bank	5.75	53,272	–	–	–	53,272
Total assets		53,272	–	–	–	53,272
Liabilities						
Borrowings*	6.91	(684,827)	–	–	–	(684,827)
Capital notes	9.25	(150,000)	–	–	–	(150,000)
Convertible notes	13.38	–	–	–	(8,910)	(8,910)
Total liabilities		(834,827)	–	–	(8,910)	(843,737)
Unrecognised						
Interest rate swaps*		620,429	(70,000)	(207,451)	(342,978)	–
Repricing gap		161,126	70,000	207,451	351,888	790,465

*All borrowings are at floating rates. The average interest rate of debt at 30 June 2004 includes hedging instruments.

GROUP 2003

	Effective Interest Rates %	Current $'000	1–2 years $'000	2–5 years $'000	>5 years $'000	Total $'000
Assets						
Bank	5.25	57,264	–	–	–	57,264
Total assets		57,264	–	–	–	57,264
Liabilities						
Borrowings*	6.80	(440,810)	–	–	–	(440,810)
Capital notes	9.25	–	(150,000)	–	–	(150,000)
Convertible notes	13.09	–	–	–	(13,365)	(13,365)
Total liabilities		(440,810)	(150,000)	–	(13,365)	(604,175)
Unrecognised						
Interest rate swaps*		329,918	96,500	(177,451)	(248,967)	–
Repricing gap		53,628	53,500	177,451	262,332	546,911

*All borrowings are at floating rates. The average interest rate of debt at 30 June 2004 includes hedging instruments.

25. FINANCIAL INSTRUMENTS (CONTINUED)

PARENT 2004

	Effective Interest Rates %	Current $'000	1–2 years $'000	2–5 years $'000	>5 years $'000	Total $'000
Assets						
Bank	5.75	2	–	–	–	2
Total assets		2	–	–	–	2
Liabilities						
Capital notes	9.25	(150,000)	–	–	–	(150,000)
Total liabilities		(150,000)	–	–	–	(150,000)
Unrecognised						
Interest rate swaps		–	–	–	–	–
Repricing gap		149,998	–	–	–	149,998

PARENT 2003

	Effective Interest Rates %	Current $'000	1–2 years $'000	2–5 years $'000	>5 years $'000	Total $'000
Liabilities						
Capital notes	9.25	–	(150,000)	–	–	(150,000)
Total liabilities		–	(150,000)	–	–	(150,000)
Unrecognised						
Interest rate swaps		–	–	–	–	–
Repricing gap		–	150,000	–	–	150,000

CREDIT RISK

Credit risk is the risk of the failure of a debtor or counterparty to honour its contractual obligations.

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

FAIR VALUES

Methods and assumptions

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash at bank, bank overdraft, term deposits, loans issued, receivables and trade creditors

The carrying values of these items are equivalent to their fair value. As such, they have been excluded from the table on the following page.

Borrowings

Borrowings are based on discounted cash flows using the borrowing rate the directors expect would be available to the Group for debt of similar maturity at balance date.

25. FINANCIAL INSTRUMENTS (CONTINUED)

Fair value summary

	Consolidated		Parent Company	
	2004	2003	2004	2003
	$'000	$'000	$'000	$'000
CARRYING AMOUNTS				
Assets				
Cash and bank balances	**53,272**	57,264	2	–
Receivables and prepayments	**36,522**	7,095	28,645	248
Income tax receivable	**9,999**	7,275	–	–
Advances to subsidiaries	**–**	–	113,342	159,067
	99,793	71,634	141,989	159,315
Liabilities				
Capital notes	**149,644**	149,266	149,644	149,266
Payables and accruals	**93,619**	64,533	1,891	2,378
Borrowings – short-term	**101,000**	1,000	–	–
Borrowings – long-term	**579,967**	437,113	–	–
Convertible notes	**8,910**	13,365	–	–
Income tax payable	**–**	4,427	–	–
	933,140	669,704	151,535	151,644

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

The group was party to a financial instrument in respect of a guarantee not recognised above and this is disclosed in Note 26.

26. CONTINGENT GAINS AND LOSSES

SKYCITY Leisure Limited is one of the guarantors for a loan facility utilised by Village Cinemas SA Argentina, an associate company. The maximum liability and exposure at 30 June 2004 under this guarantee is US$4,000,000 (30 June 2003: US$4,000,000).

As part of the negotiations for recapitalisation of Village Cinemas SA, SKYCITY Leisure Limited has granted an option to Village Roadshow Limited for it to acquire 40% of its shareholding in Village Cinemas SA (10% of total shares) for US$1.00. The option can be exercised at any time prior to the repayment of the Village Cinemas SA funding facility.

27. RELATED PARTY INFORMATION

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES
All members of the group as listed in notes 18, 19 and 20 are considered to be related parties of the parent company SKYCITY Entertainment Group Limited.

During the year the company advanced and repaid loans and provided accounting and administrative services to its subsidiaries, associates and joint ventures. In presenting the financial statements of the group, the effect of transactions and balances between fellow subsidiaries and those with the parent company have been eliminated. All transactions with related parties are in the normal course of business and provided on commercial terms.

INTEREST OF DIRECTORS IN CERTAIN TRANSACTIONS
Each company within the group maintains an interest register in which members of its board record all parties and transactions in which they may have a potential or actual self-interest (refer Interests Register in the Disclosures section of this Report). Fees were paid to First NZ Capital Group Limited, of which W R Trotter is executive chairman, for advisory work and were made on normal commercial terms.

28. EVENTS OCCURRING AFTER BALANCE DATE

PROVISION FOR DIVIDEND

As disclosed in Note 7, on 24 August 2004 the directors resolved to provide for a final dividend to be paid in respect of the year ended 30 June 2004. A fully imputed dividend of 15.5 cents per share will be paid on 8 October 2004 to all shareholders on the company's register at the close of business on Friday, 24 September 2004.

SKYCITY LEISURE

On 6 August 2004 the independent valuer appointed by the Takeovers Panel determined that an additional 38 cents be paid to SKYCITY Leisure mandatory convertible noteholders who did not accept the SKYCITY Investments Auckland Limited offer of $1.60. The total additional payment is $1,069,135 and has been included in the consolidated Statement of Financial Position.

SKYCITY DARWIN CASINO AND HOTEL

On 22 July 2004 the company completed the purchase of the SKYCITY Darwin casino and hotel. The contracted purchase price was A$195,000,000 of which a A$19,500,000 deposit had been paid at 30 June 2004.

An estimate of the financial effect of the acquisition has been summarised below. The figures are provisional pending an assessment of fair values.

	2004 NZ$'000
Net assets acquired	
Current assets	6,975
Fixed assets	56,210
Other assets	615
Current liabilities	(7,700)
Other liabilities	(3,080)
Estimated acquisition costs to be capitalised	6,500
Net assets acquired	59,520
Goodwill and intangibles on acquisition	171,118
Consideration paid (including costs and taxes)	230,638

29. EARNINGS PER SHARE

	Consolidated 2004	Consolidated 2003
Number of ordinary shares on issue – weighted average ('000)	417,828	420,294
Group surplus from operations per share (cents)	24.0	25.5

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

At SKYCITY, governance reflects the tone and behavioural expectations that the board sets on behalf of stakeholders. It encompasses the company's decision-making structures and the mechanisms used to manage the organisation.

SKYCITY's board and management are committed to ensuring that the company maintains best practice governance structures and principles and the highest ethical standards. In this regard, the board has developed a Board Charter (www.skycitygroup.co.nz) which describes the board's role and responsibilities and regulates board procedures. It incorporates the Australian Stock Exchange (ASX) Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations, the New Zealand Exchange (NZX) listing rules relating to corporate governance and the NZX Corporate Governance Best Practice Code recommendations, and the New Zealand Securities Commission Governance Principles and Guidelines.

The Board Charter and its attached schedules are the principal specification of the governance framework within which SKYCITY conducts its affairs. A copy of the Board Charter is posted on the company's website at www.skycitygroup.co.nz in the "Investor Centre" sub-section.

The board will continue to monitor best practice recommendations and developments as they occur, to ensure that SKYCITY's governance is consistent with international best practice both in form and substance.

SKYCITY'S GOVERNANCE FRAMEWORK

The board has adopted the ten governance principles, as set out below. These principles reflect the ASX, NZX and New Zealand Securities Commission governance recommendations.

The board of SKYCITY Entertainment Group, through a set of formal policies and procedures:

- establishes a clear framework for oversight and management of the company's operations and for defining the respective roles and responsibilities of the board and management
- structures itself to be effective in discharging its responsibilities and duties
- sets standards of behaviour expected of company personnel
- safeguards the integrity of the company's financial reporting
- ensures timely and balanced disclosure
- respects and facilitates the rights of shareholders
- recognises and manages risk
- encourages board and management effectiveness
- remunerates fairly and responsibly, and
- recognises its obligations to all stakeholders.

There are a number of supporting charters and policies which combine with the Board Charter to comprise SKYCITY's governance framework. These support charters and policy statements, in addition to the company's constitution, comprise the following:

- Terms of Appointment and Terms of Reference for Directors
- Audit and Risk Committee Charter
- Governance and Remuneration Committee Charter
- Nomination Committee Charter
- Code of Business Practice
- Code for Securities Transactions and Insider Trading Policy
- Delegated Authorities Policies
- Protected Disclosures Policy
- Policies and Procedures for Employees
- Risk Management Programme
- Relationship Governance Policy

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

The NZX and ASX Listing Rules require SKYCITY to disclose the extent to which it has followed the NZX Corporate Governance Best Practice Code and the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations, respectively.

NZX BEST PRACTICE CODE

In accordance with the requirements of NZX Listing Rule 10.5.3(j), SKYCITY confirms that it has complied with the NZX Corporate Governance Best Practice Code during the 2003/04 year.

The requirements of the NZX Best Practice Code relate to code of ethics, director appointment, training and remuneration, separation of board and management, supply of information from management to board, and board performance. The Code requires that separate Audit, Remuneration and Nomination committees should be established for larger organisations such as SKYCITY and identifies the preferred membership criteria for those committees. The Code also refers to the important relationship between the external auditor and the company.

ASX PRINCIPLES AND BEST PRACTICE RECOMMENDATIONS

In accordance with the requirements of ASX Listing Rule 4.10, SKYCITY confirms that it has complied with the ASX Corporate Governance Principles and Best Practice Recommendations, except in respect of recommendations that the company's internal policies and procedures are made available to external parties and that any options plan are approved by shareholders. SKYCITY believes that the Board Charter and the comprehensive references to governance in this annual report provide good disclosure of the company's internal processes and mechanisms and that the underlying intentions of the various ASX Corporate Governance Council's recommendations on reporting of internal mechanisms have been met. In respect of the Managing Director Share Option Plan, this was approved by shareholders at the 2002 annual meeting. In respect of the Executive Share Option Plan (2002), this Plan was approved by the board in August 2002. The 2002 Plan was essentially a renewal of the Plan, which was approved by shareholders at the 1999 annual meeting of the company, except that the period prior to exercise of the options was (except in special circumstances) extended from one year to three years.

Otherwise the company is in compliance with the ASX Corporate Governance Council's Principles and Recommendations.

ROLE OF THE BOARD

SKYCITY's board of directors is elected by shareholders to govern the business in their interests.

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

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

Specific responsibilities of the board include the following:
- oversight of the company, including its control and accountability procedures and systems, including the delegation of authorities within the company
- approval and monitoring of the progress of significant capital expenditure projects, capital management initiatives, and acquisitions and divestments, and the funding thereof
- approval of the corporate strategy and objectives and oversight of the adequacy of the company's resources required to achieve the strategic objectives
- approval of and monitoring of actual results against the annual business plan and budget (including the capital expenditure plan)
- review and ratification of the company's systems of risk management and internal compliance and control, codes of conduct, and legal compliance
- appointment, performance, and removal of the Managing Director (chief executive officer)
- confirmation of the appointment and removal of the senior executive group (being the direct reports to the Managing Director)
- setting the remuneration of the Managing Director and approval of the remuneration of the senior executive group.

The board has appointed three committees, being:
- the Audit and Risk Committee
- the Governance and Remuneration Committee, and
- the Nomination Committee.

Each committee is authorised to deal with matters as set out in its committee charter and/or falling within its intended mandate, on the following basis:

- to submit recommendations to the board on matters for which decision-making authority has not been delegated by the board
- to make decisions on matters for which decision-making authority has been delegated by the board.

The board maintains a formal set of delegated authorities (including a Treasury Policy) which clearly define the responsibilities that are delegated to management and those which are retained by the board. These delegated authorities are approved by the board and are subject to formal review by the board on a regular basis and not less than annually.

The board appoints new directors under formal terms of reference/appointment. Directors must comply with the terms of reference at all times.

The Code of Business Practice sets out the board's policy on conflicts of interest. When conflicts of interest exist, directors exclude themselves from discussions, and do not vote in respect of the relevant matters.

The chairperson of the board (and the chairpersons of the board committees) are elected by the non-executive directors. SKYCITY supports the separation of the role of board chairperson from the chief executive officer position.

The chairperson's role is to manage the board effectively, to provide leadership to the board, and to facilitate the board's interface with the Managing Director. The current chairman of the board, Mr Rod McGeoch, is a non-executive director and meets the independence criteria as set by the board in the Board Charter at Schedule 2.

STRUCTURE OF THE BOARD AND COMMENTARY ON 2003/04 MATTERS

Directors are appointed under the company's Terms of Appointment, Terms of Reference for Directors and the Board Charter for a term of three years or are subject to re-appointment on a more frequent basis in order for the company to comply with the listing rules of the NZX and the ASX.

The board currently comprises six directors, five of whom are non-executive. Evan Davies, Managing Director of the company, is the only executive director.

Application for approval of an additional director by the casino regulatory authorities to bring the board size up to seven directors is currently in process. The selection of the preferred candidate was undertaken after an extensive search and evaluation process by the Nomination Committee. An external specialist consultant was engaged to assist the Committee in this process.

Whilst regulatory approvals for the proposed new director have already been completed in New Zealand, the South Australian and Northern Territory regulatory processes are still in progress. If regulatory approvals can be completed in time, the proposed new director will stand for election at the 2004 annual meeting. If regulatory processes in Australia have not been completed prior to the cut-off date for the 2004 notice of annual meeting, it is anticipated that the new appointment would be able to be confirmed within a matter of weeks following the annual meeting.

Board changes during the 2003/04 year were:

- Sir Dryden Spring was appointed to the board on 31 October 2003. Sir Dryden, having been appointed by the directors since the 2003 annual meeting of shareholders, is standing for election at the 2004 annual meeting.
- Jon Hartley was chairman of the company until 31 March 2004 but retired as chairman and as a director on that date.
- Rod McGeoch was appointed chairman of the company in place of Jon Hartley, effective 1 April 2004.

Rod McGeoch and Elmar Toime, current directors of the company, will retire by rotation at the 2004 annual meeting of the company and, being eligible, offer themselves for re-election.

Mr Toime, having already served two terms as a director of the company, must under the terms of the Board Charter, be formally requested by the board to offer himself for re-election by shareholders. The board has requested that Mr Toime offer himself for re-election and Mr Toime is pleased to make himself available for a further term as a director. Mr Toime has been a SKYCITY director since February 1996 and the board has affirmed that the tenure of his term in office does not impact on his ability to exercise independent judgement in terms of board decision-making.

The board has established the Nomination Committee to recommend the appointment and removal of directors. Ultimately the appointment and removal of directors is governed by the company's constitution. The constitution requires all potential directors to have satisfied the extensive probity requirements of each jurisdiction in which the company holds gaming licences.

The Nomination Committee determines the appropriate selection process to be undertaken for new director appointments, taking into account such factors as it deems appropriate, including experience, qualifications, availability, business judgment, and the candidate's ability to work effectively with the other directors.

The board meets at least six times per annum (over two days) on a formal, scheduled basis and on other occasions as required. During the 2003/04 year, the board met formally on a total of seven occasions, six of which were scheduled meetings and one of which was called to attend to particular items of business. In addition, the directors convened by teleconference to discuss specific issues on a number of occasions during the year. The number of board meetings attended by each director during the year ended 30 June 2004, with the number of meetings held while each director was in office shown in brackets, is noted below.

– R H McGeoch	7	(7)
– E W Davies	7	(7)
– P L Reddy	7	(7)
– D T Spring*	6	(6)
– E Toime	5	(7)
– W R Trotter	7	(7)
– J P Hartley**	5	(5)

* Appointed to the board during the year ** Retired/resigned from the board during the year

The non-executive directors of the board (and the board's committees) met independently of the Managing Director and management personnel on a number of occasions during the course of the year, to discuss various issues.

During August 2003, the board was assisted by an external consultant in carrying out a formal review of its composition, performance, and effectiveness. The next formal board effectiveness and performance review will be undertaken by the Nomination Committee during the November/December 2004 period.

DIRECTOR INDEPENDENCE

The Board Charter requires that the board contains a majority of its number who are independent of management, substantial shareholders, or other parties with whom SKYCITY has a business or other relationship that could reasonably be perceived to interfere with the exercise of unfettered and independent judgement. In addition, the board will ensure it comprises not less than the minimum number of independent directors required by the listing rules of the stock exchanges on which the company's securities are quoted.

In determining the independence of directors, the board has adopted the definition of independence set out in the NZX Corporate Governance Best Practice Code, and has taken into account the independence guidelines as recommended by the ASX Corporate Governance Council's Principles of Good Corporate Governance.

As required by the Board Charter, the board chairperson, Rod McGeoch, is an independent director, is not the company's chief executive officer, and has ensured that he has the time necessary to discharge the role effectively.

At its April 2004 meeting, the board reviewed the status of each director in accordance with the independence specification as set out in Schedule 2 of its Board Charter which mirrors the independence tests of the NZX Code. The board determined that all current directors, other than the Managing Director (Evan Davies), were independent.

The board noted that, under the ASX Independence Guidelines, all directors except Bill Trotter would be considered independent. Bill Trotter is not independent, under these Guidelines, given his relationship with First NZ Capital Limited, which is a consultant and advisor to the company. Mr Trotter is Executive Chairman of First NZ Capital Group Limited.

Directors are required to ensure that all relationships and appointments bearing on their independence (whether generally or for a specific matter) are disclosed on a timely basis and must provide any further information required to enable the board to make an informed assessment of their independence on a continuous basis.

The disclosure of existing interests is an ongoing responsibility of each director. Where a conflict of interest arises (or where a potential conflict of interest may arise), each director must formally advise the company about any matter relating to that conflict (or potential conflict) of interest.

There have been no subsequent changes to the independence determinations for each director as at the date of this annual report.

GENERAL MATTERS RELATING TO DIRECTORS

Under the Board Charter, directors are required to advise the chairperson of all outside directorships or other appointments which may have a bearing on their role as a SKYCITY director, prior to taking up any such appointment.

Directors are entitled to obtain independent professional advice (at the expense of the company) on any matter relating to their responsibilities as a director or to the company's affairs, provided they have previously notified the board chairperson of their intention to do so. No such requests or notifications occurred during the 2003/04 year.

DIRECTOR INDEMNITY AND INSURANCE

The company has signed a deed of indemnity in favour of each director (and a nominated group of senior executives) which covers acts or omissions of directors (or executives) in their capacity as such.

The company also provides professional indemnity insurance cover for directors acting in good faith in the conduct of the company's affairs.

On 22 September 2003, the company effected directors and officers liability insurance coverage through Vero Liability Insurance Limited and ACE Insurance Limited for the 12 month period 30 September 2003 to 30 September 2004, with an aggregate limit of liability of $50 million. The premium cost of this cover was $72,000 (plus GST).

Also on 22 September 2003, the company effected statutory liability insurance through Vero Liability Insurance Limited for the 12 month period 30 September 2003 to 30 September 2004, with an aggregate limit of liability of $5 million, and employer's liability insurance with Vero Liability Insurance Limited for the 12 month period 30 September 2003 to 30 September 2004, with an aggregate limit of liability of $1 million. The premium cost of these covers was $14,760 (plus GST) and $6,600 (plus GST) respectively.

COMMITTEES OF THE BOARD

The committees of the board review and analyse policies and strategies, usually developed by management, which are within their terms of reference. The board's committees examine proposals and, where appropriate, make recommendations to the board. The committees do not take action or make decisions on behalf of the board except where they have been specifically mandated to do so.

The board appoints the chairperson of each committee.

All committees are required to comprise a minimum of three members.

Each committee operates under a charter document, as agreed by the board, which sets out its role and responsibilities, authorities, relationship with the board, reporting requirements, composition, structure and membership requirements. Copies of these committee charters are attachments to the Board Charter. Each committee charter is subject to formal review by the board on an annual basis.

The board, on an annual basis, reviews the performance of each committee in accordance with its charter.

All directors are entitled to attend any committee meeting and receive the agenda and the papers for each committee meeting and the minutes of each meeting. The Managing Director (Evan Davies) attends meetings of each of the board's committees.

From time to time the board creates specific sub-committees to deal with a particular matter or matters and/or to have certain decision-making authority as the board may elect to delegate to that sub-committee. The minutes of any such sub-committee meetings are circulated to all directors.

GOVERNANCE AND REMUNERATION COMMITTEE

The Governance and Remuneration Committee monitors senior executive performance and remuneration, the ethics of the organisation, protection of the group's casino licences, statutory and regulatory compliance, host responsibility and problem gambling programmes and initiatives, and the identification of and planning for emerging issues.

The Governance and Remuneration Committee meets not less than twice per annum on a formal scheduled basis and on other occasions as required. During the 2003/04 year, the Governance and Remuneration Committee met on three separate occasions.

The current members of the Governance and Remuneration Committee are Patsy Reddy (who chairs the committee), Rod McGeoch and Bill Trotter. Messrs McGeoch, Trotter and Ms Reddy each attended the three meetings of the committee held during the year ended June 2004.

The composition of the committee meets the requirement of the committee charter, being that the committee comprises at least three non-executive directors, a majority of whom are independent.

The Corporate Governance and Remuneration Committee's responsibilities include:

– monitoring relationships with shareholders and ensuring the intent of the Board Charter as to communications with shareholders is achieved
– monitoring organisational integrity of business operations to ensure a high standard of ethical behaviour is maintained by the organisation
– reviewing the company's remuneration policies and procedures and approving senior executive remuneration and incentives
– reviewing incentive remuneration plan performance targets and recommending incentive payments and targets to the board for approval
– overseeing the company's recruitment, retention and termination policies and procedures for senior management
– reviewing the Managing Director's performance evaluation of his direct reports and approving salaries and incentive remuneration, executive share option participation, and any other variation of the terms and conditions of employment of the Managing Director's direct reports
– reviewing the performance of Ms Heather Shotter, an associated person of the Managing Director, and determining her performance objectives, remuneration in terms of salary, incentive bonus and executive share option participation
– reviewing the Relationship Governance Policy and monitoring compliance with that policy. This policy sets out the procedures that are required to be followed with respect to related parties within the organisation
– overseeing management succession planning for key roles within the company
– reviewing non-executive director remuneration
– monitoring issues relating to the group's casino licences and relationships with government licensing and regulatory agencies
– monitoring the company's compliance with NZX and ASX Listing Rules, and companies and commercial legislation applicable to the group's business operations
– overseeing and monitoring the group's host responsibility and problem gambling programmes and initiatives, and ensuring co-operation with social and government agencies
– ensuring the Board Charter and support charters and policies continue to represent best corporate governance practice and are appropriate to the company's operations
– monitoring the company's procedures and authorities governing the communication of company information to external parties including shareholders, financial analysts and commentators, and the media.

NOMINATION COMMITTEE

The Nomination Committee's role is to monitor board composition and performance and to assist the board in identifying suitable candidates for appointment as directors of the company.

The Nomination Committee meets at least once per annum to review board and director performance and on other occasions as required in order to attend to any other matters under its charter. During the 2003/04 year, the Nomination Committee met on two separate occasions. All directors attended both meetings of the committee.

All directors are members of the Nomination Committee and Patsy Reddy is chair of this committee. The current composition of the committee meets the requirements of the committee charter that the committee should comprise a minimum of three independent directors, which directors form the majority of the committee.

The Nomination Committee's responsibilities include:

– making recommendations to the board as to its size
– regularly reviewing the criteria for selection of directors and recommending to the board any necessary alterations
– determining search and selection processes for new potential directors
– recommending appropriate director candidates to the board
– determining appropriate procedures for director and board evaluation and performance review

- recommending the removal of a director from the board
- ensuring that potential director candidates understand the role of the board and the time commitment involved when acting as a member of the board
- ensuring adequate induction, orientation and training for directors in the company's operations and the gaming/entertainment sector generally
- reviewing the board's succession planning

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee's primary roles are to assist the board in fulfilling its responsibilities relating to accounting and reporting, tax planning and compliance, internal control practices and procedures, and protection of the company's assets and business operations through risk planning and mitigation strategies and adequate insurance coverage.

The committee's responsibilities also include the oversight of the quality, reliability, and accuracy of the company's internal and external financial statements, for the accuracy of the company's external result presentations, and for its relationships with its internal and external auditors.

The Audit and Risk Committee must undertake sufficient inquiry of the company's management and the company's internal and external auditors in order to be satisfied as to the validity and accuracy of the company's financial reporting.

The committee meets not less than three times per annum on a formal scheduled basis and on other occasions as required. During the 2003/04 year, the Audit and Risk Committee met on four separate occasions. Mr Toime attended all four meetings of the committee. Mr Hartley attended three meetings (out of three) up until his retirement as a director on 31 March 2004. Sir Dryden Spring attended both meetings of the committee that were held subsequent to his appointment as a director on 31 October 2003. Rod McGeoch attended the June 2004 meeting of the committee having replaced Mr Hartley as a committee member in April 2004.

The Audit and Risk Committee comprises at least three directors, all of whom are independent, non-executive directors who must be financially literate.

The committee is chaired by an independent director who is not also the chairperson of the board. At least one member of the committee must have financial expertise (ie has knowledge and experience of accounting, and of financial matters and regulations).

Current members of the committee are Sir Dryden Spring (chairman), Rod McGeoch and Elmar Toime. Mr McGeoch was appointed to the committee following the resignation of Jon Hartley earlier this year. An appropriate person, with requisite financial and accounting qualifications and experience to join the committee, has been identified (referred to earlier in this report under board structure).

The Audit and Risk Committee meets with the company's internal and external auditors independently of management as often as is appropriate, but not less than twice per annum.

The Audit and Risk Committee oversees the independence of the company's internal and external auditors and monitors the scope and quantum of work undertaken, and fees paid, to the auditor for other than audit work.

This annual report, at Note 3 to the financial statements, identifies the level of audit and other services provided by PricewaterhouseCoopers, the company's auditor, during the 2003/04 financial year. In the year ended 30 June 2004, assurance services provided by PricewaterhouseCoopers totalled $1.011 million and other services totalled $1.385 million. Of the other services, $555k was associated with accounting due diligence work undertaken by PricewaterhouseCoopers on behalf of the company for acquisitions undertaken during the year and $603k related to tax advisory services much of which was also associated with the acquisitions undertaken during the 2003/04 year.

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

The Audit and Risk Committee Charter requires rotation of external and internal audit partners not less frequently than every seven years but with a guideline that five years is, except in special circumstances, an appropriate period of tenure for any one individual. David Randell, current external audit partner for SKYCITY, succeeded John Harvey in this role in February 2003.

Until this year, PricewaterhouseCoopers has provided external audit and internal audit services to SKYCITY. Earlier this year, the Audit and Risk Committee and the board resolved to separate the provision of internal audit services. An alternative internal audit service provider will replace PwC from 1 October 2004.

INTEGRITY AND ETHICAL BEHAVIOUR

Members of the board (and management) must, at all times, comply with the express terms and spirit of their fiduciary obligations to the company, including acting honestly and in good faith and in what they reasonably believe to be the best interests of the company.

The company operates in accordance with a Code of Business Practice (attached as Schedule 3 to the Board Charter). The Code sets out the guiding principles of the company's relationships with stakeholder groups including regulators, shareholders, customers, and employees.

The Code addresses the following areas:

- compliance with laws and casino licences, and co-operation with regulatory bodies
- honest and fair dealing with customers and employees
- respect for and compliance with human rights standards
- preservation of privacy and confidentiality of company and personal information
- insider trading obligations
- conflicts of interest
- competitive behaviours and actions
- promotional and advertising responsibilities
- community participation and contribution
- host responsibility
- receiving gifts or other benefits from external parties.

The company has adopted a policy for employees to report instances of suspected breaches of laws or wrong-doing by the company and/or any of its employees or directors, without fear of adverse consequences, and for such reporting to be properly investigated.

The company maintains a code of practice for directors and senior executives which sets out the procedures that must be followed before trading in the company's securities. Prior consent must be obtained from the company secretary before undertaking any trading in the company's securities. The company secretary must obtain the prior consent of the Managing Director or the chairperson or deputy chairperson of the board. The Managing Director must obtain the prior consent of the chairperson or deputy chairperson of the board.

Details of any share trading by directors or executives who are subject to the company's Insider Trading Policy and Code for Securities Transactions are notified to the board. The company's Policy and Code is supported by education for directors and executives about their obligations when trading in the company's securities. The company's Code prohibits trading in the company's securities by company personnel outside the "window" periods as defined by the Insider Trading (Approved Procedure for Company Officers) Notice 1996.

From 3 May 2004, "officers" of the company (currently comprising 18 senior level executives) must formally disclose their SKYCITY shareholdings and other securities holdings to the NZX within five business days of any change in their holding of such securities.

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

FINANCIAL REPORTING

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

The Managing Director and the Group General Manager Finance have certified in writing to the board that the financial statements included in this annual report present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards. The Managing Director and the General Manager Corporate have certified in writing that the confirmation referred to above is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and that the company's risk management and internal compliance and control systems are operating efficiently and effectively in all material respects.

TIMELY AND BALANCED DISCLOSURE

The company communicates its financial and key operational performance results in a clear, effective, balanced, and timely manner to its shareholders, analysts and other market commentators, and to the stock exchanges on which the company's securities are listed.

This result information is available on the company's website.

The company's policy is to provide timely and sufficient information in appropriate format so as to enable external parties to achieve a sound understanding of the company's performance during any six month reporting period and to achieve an understanding of the key elements of the company's business strategy.

The board and the Audit and Risk Committee ensure that company announcements are made in a timely manner, are factual, do not omit any material information, and are expressed in a clear and objective manner.

The agenda for each board meeting includes formal consideration of the company's disclosure obligations and any matters relevant thereto.

The Company Secretary is responsible for bringing any matter relevant to the company's disclosure obligations to the attention of the board.

PROTECTION OF COMPANY INFORMATION

Members of the board (and management) must ensure that sensitive information they have access to about the company is well protected and treated in strict confidence, and that property of the company (including information) is used solely in the best interests of the company.

The company maintains internal policies and procedures and monitors compliance with those policies and procedures in order to protect the confidentiality of its commercially sensitive information.

RECOGNITION AND MANAGEMENT OF RISK

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

The company maintains an up-to-date risk profile for each of its business operations and ensures that business continuity and disaster recovery plans are in place and are well understood throughout the organisation.

The company also maintains comprehensive business continuity, material damage and liability insurance covers to ensure that the earnings of the business are well covered in the event of adverse circumstances.

PERFORMANCE EVALUATION

The Nomination Committee's charter includes assessment of the role and responsibilities, performance, composition, structure, training, and membership requirements of the board, with this assessment being formally undertaken on an annual basis.

Directors are expected to maintain an up-to-date knowledge of the company's business operations and of the industry sectors within which the company operates. Briefings, circulation of information and site visits are organised as appropriate to assist directors to be aware of and to understand company and industry issues.

REMUNERATION

The board is supported by the Governance and Remuneration Committee on matters relating to staffing, personnel (human resources) and remuneration.

NON-EXECUTIVE DIRECTOR REMUNERATION

Non-executive director remuneration is paid in the form of directors' fees. Director fees for the 2003/04 year were paid in cash.

The total remuneration available to non-executive directors is determined by shareholders at the annual meeting. At the 2003 annual meeting, shareholders approved, effective from 1 November 2003, a total remuneration amount for non-executive directors of $600,000 per annum (plus GST if any).

Non-executive directors are paid the same base fee but additional fees may be paid, at the discretion of the board, to a director who undertakes additional work at the specific request of the board. No such additional fees were paid during the 2003/04 financial year.

The chairpersons of the board and the committees are paid additional remuneration to reflect the additional responsibilities of their positions. Where the board or a committee chairperson is also the chair of the Nomination Committee, no additional remuneration is paid for that chairperson role.

For those directors who were in office on or before 1 May 2004, SKYCITY's constitution permits the company, at the discretion of the board, to make a retirement payment to a director (or to his or her dependants), provided that the total amount of the payment does not exceed the total remuneration of the director in his or her capacity as a director in any three years chosen by the company. For directors appointed after 1 May 2004 the NZX Listing Rules require that the amount or method of calculation of any retirement benefit be authorised by shareholders.

In July 2004, the board resolved to pay Jon Hartley, formerly chairman of the company, a retirement allowance of $284,375. Mr Hartley had served on the board for eight years and this payment represented 8/9ths of the director's fees paid to Mr Hartley during the three years prior to his retirement on 31 March 2004.

The board has resolved that director retirement allowances will be discontinued as at 30 June 2004 and that retirement allowances accrued to that date will be frozen as to amount. Retirement allowances accrued up to 30 June 2004 will be payable upon the retirement of a director, provided that the director has served at least three years on the board. Retirement allowances accrued as at 30 June 2004 will not carry any interest entitlement between 1 July 2004 and the date of payment. The board will recommend to the annual meeting that the company's constitution is amended to provide that any resumption of retirement allowances in the future will require shareholder approval.

In order to reflect the remuneration value foregone as a result of the discontinuation of retirement allowances, the directors have resolved that, effective 1 July 2004, directors' fees should be increased by 23 per cent per annum. The new fees, effective 1 July 2004, are $80,000 for non-executive directors, $160,000 for the chairman of the board, and $12,500 for committee chairpersons. Allowing for the anticipated appointment of one additional non-executive director, the total fee structure has remained within the $600,000 total limit approved by shareholders at the 2003 annual meeting.

The board obtained independent confirmations from John Egan Associates of Sydney that the new level of fees for directors are fair and reasonable having regard to the current market practice for companies of similar size and complexity in Australasia and from Deloitte Corporate Finance Auckland that the 23 per cent adjustment to fees is an appropriate financial adjustment to compensate non-executive directors for the discontinuation of retirement allowances.

Directors' expenses reasonably incurred in carrying out their duties as directors are paid for by the company.

MANAGING DIRECTOR REMUNERATION

The Managing Director (Evan Davies) has an employment contract with SKYCITY which reflects standard conditions appropriate to a chief executive operating within the New Zealand business community. Under his contract, Mr Davies is paid a salary plus an annual performance-related incentive amount, as approved by the board.

The performance-related incentive is a variable amount and is determined with reference to the return on invested capital achieved by the company during the financial year and also various performance measures which are set by the board for each year, in consultation with Mr Davies. These measures include financial and strategic criteria set with reference to the company's business and strategic plans as well as qualitative criteria including corporate governance and leadership. Performance against these measures is assessed at the end of each year and payment of the amount so determined is made in cash. The maximum amount payable to Mr Davies as performance-related incentive is currently set at an amount equal to his fixed salary.

Mr Davies also has a long-term equity incentive, which has not yet vested, comprising 2,338,530 share options issued by the company under the terms of the Managing Director Share Option Plan, as approved by shareholders at the 2002 annual meeting. The options do not vest until 10 September 2005 and the exercise price escalates from the date of issue (10 September 2002) by an amount equal to the company's cost of equity less dividends paid and other returns to shareholders. In this way the options have no value unless the return to shareholders over the period since the date of issue has exceeded the return which shareholders should expect from their investment. The value of these options at the date of issue, as determined by the Black Scholes method of valuation, was $350,000 per annum for the three year period from 1 July 2002–30 June 2005.

Before setting the remuneration for the Managing Director, the board receives formal advice from one or more independent remuneration consultants with expertise in the Australasian listed company environment, to ensure that the remuneration is structured in a way which is fairly aligned with shareholders' interests and appropriately set having regard to the remuneration provided to senior executives in comparable companies in New Zealand and Australia.

SKYCITY EMPLOYEE REMUNERATION

The Governance and Remuneration Committee reviews employee remuneration strategy, policy, and practices. External advice from recognised remuneration consultants is regularly sought on best practice remuneration structure, market trends, and market rates.

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

– to be market competitive at all levels to ensure the company can attract and retain best possible talent

- to be performance-orientated so that remuneration practices recognise and reward high levels of performance and to avoid an "entitlement" culture
- to provide a significant "at risk" component of total remuneration which drives performance to achieve company goals and strategy
- to manage remuneration within levels of cost efficiency and affordability; and
- to align remuneration for senior executives with the interests of shareholders.

Processes and practices exist which ensure consistency throughout the SKYCITY Group in approach and implementation of remuneration policy.

All salaried roles within SKYCITY are job-sized using internationally recognised methodology to measure the impact, accountability, and complexity of each role as it contributes to the organisation. Advice is then sought as to remuneration ranges by job band or level being paid by the market to ensure competitiveness at both base and total remuneration levels. Individual remuneration is set within the appropriate range taking into account such things as individual capability, scarcity of resource, and specific business needs. This process ensures internal equity between roles and allows comparison with the overall market. Remuneration ranges are reviewed annually to reflect any market movements.

Every alternate year SKYCITY also engages an international remuneration consultancy to undertake a survey, with other companies considered appropriate as comparatives, to test senior executive remuneration levels specific to role to ensure further valid comparison data.

SKYCITY also participates in and accesses several recognised remuneration surveys each year to provide detailed information including both data and trends. These also assist SKYCITY in ensuring market competitiveness.

SKYCITY has a formal performance review process. Each year the company reviews its strategic plan and develops an annual operating plan. This cascades to each business and, in turn, to each function and each role. Formal goals are set for each salaried staff member as an individual performance plan to clarify expectations against which individual performance is assessed.

SKYCITY's commitment to paying for performance means that, along with taking market relativities into account, each person's remuneration is directly linked to the degree to which they have delivered the goals set out in their individual performance plan. Remuneration increases for the senior executive group are approved by the Governance and Remuneration Committee.

In addition to base salary, SKYCITY operates an at risk component of total remuneration for all salaried employees called Performance Pay Incentive (PPI). The amount of variable pay a person can receive varies according to the band or level at which their role is evaluated. To enable payment of any at risk incentive component, the business has to achieve minimum financial targets. If those targets are not met no bonus incentive is paid. In addition to overall financial achievement, all salaried staff have a number of individual targets that they must achieve which account for up to 50 per cent of their at risk remuneration. These goals reflect the key accountabilities each staff member has around a "balanced scorecard" concept. Payments under the PPI scheme have a minimum trigger point based on company financial targets and increase according to the degree by which the company over-achieves its financial targets. In this way the PPI incentive scheme links individual reward to business performance and shareholder interests. Staff who participate in the PPI scheme are paid 40 per cent in cash and 60 per cent in SKYCITY shares. The value of shares is determined by the closing price of SKYCITY shares on the NZX for the ten days following the announcement of the SKYCITY annual result. The shares components of the PPI bonus are issued in three equal tranches over a two year period.

SKYCITY also has an at risk incentive plan for waged staff called Customer Experience Incentive (CEI). This scheme reflects the company's commitment to providing outstanding experiences for customers. Waged staff can earn additional bonus remuneration depending on the achievement of financial targets and customer satisfaction targets based on focused surveys run by independent survey companies.

The PPI is only paid when the company's (or business unit's) Return on Investment Capital has exceeded (or is very close to) the pre-determined target(s) as set by the board (on the recommendation of the Governance and Remuneration Committee) at the start of the financial year. The CEI is only paid when the company's (or business unit's) pre-determined financial and customer service targets have been met.

The incentive schemes require that sufficient returns have been created during the period in order to cover the cost of bonuses paid, but also to ensure that the cost of such bonuses are only a proportion of the returns created. In this way, shareholders and employees share in the returns created, but employees only share in those returns (under the PPI/CEI schemes) when they have met the pre-determined financial and other thresholds.

During the 2003/04 year, a total of 830 SKYCITY salaried personnel received total PPI bonuses of $4.63 million (an average bonus payment of $5,604 per participant) and 1,617 waged employees received total CEI bonuses of $740,780 (an average bonus payment of $458 per participant).

Under the PPI, salaried personnel base bonuses range from 6.5 per cent to 30.0 per cent. The actual bonus amount can be zero or between 0.85 times and 1.50 times the base bonus percentage depending on company performance against target. Individual PPI bonus payments are then subject to performance against personal goals set at the beginning of the year.

Bonuses under the CEI range from $150 to $450 net after tax in any six-month period, depending on the number of hours worked in the six month periods ending 31 December and 30 June in each year.

In addition to the Managing Director Share Option plan referred to above, share options are issued to a group of approximately 30 senior executives on an annual basis. Options are issued as a long-term incentive to encourage retention and value creation. The Governance and Remuneration Committee reccomends the number of options to be granted to each executive to the board for approval. The number of options issued to an executive is determined based on an option valuation, independently calculated by Deloitte Corporate Finance using the Black-Scholes methodology.

The exercise price of executive share options is structured so that the employee benefits only if the total return received by the company's shareholders, measured as the combination of share price appreciation and dividends, exceeds the company's estimated cost of equity over the same period. The company's estimated cost of equity to be used in the calculation is equivalent to the market's return expectations for a company with the risk profile and prospects of SKYCITY Entertainment Group Limited.

The estimated cost of equity used to determine the exercise price is recalculated on an annual basis on the anniversary of the issue date of the option, to ensure that the performance target continues to reflect changes in market conditions.

The base exercise price for executive share options is the average closing price of SKYCITY shares on the NZX over the ten trading days following the release of the company's result for the financial year to 30 June to the New Zealand and Australian stock exchanges. The base exercise price, which is independently calculated, is escalated (on a daily basis) by the company's estimated cost of equity capital adjusted for dividends between the date the option was issued and its exercise date.

The executive share option plan is structured to align executive interests with shareholder interests and to motivate executives to drive company performance and to reward executives for their loyalty and commitment throughout a three year period.

Options issued under the SKYCITY Executive Share Option Plan, except in special circumstances, can not be exercised until three years from the date of issue. Options issued under the Plan lapse, if not exercised on the fifth anniversary of their date of issue.

The terms and conditions of the Executive Share Option Plan 2002 are essentially the same as the terms and conditions of the predecessor Plan, the Executive Share Option Plan 1999, which was approved by shareholders at the annual meeting of the company on 28 October 1999. The only significant change in the 2002 Plan, compared to the 1999 Plan, was that the period prior to being able to exercise an option was extended from one year to three years. The board undertook extensive research and obtained independent expert advice on longer-term incentive remuneration alternatives prior to approving the 2002 Executive Share Option Plan in August 2002.

INTERNAL AND EXTERNAL STAKEHOLDERS AND COMMUNITY RESPONSIBILITY

All SKYCITY personnel must comply with the company's Code of Business Practice which sets out how company personnel should undertake their business dealings, and the behaviours that are expected of them.

The company facilitates the effective exercise by shareholders of their rights as shareholders by taking steps to ensure information about the company is available to all shareholders by means of personal and/or website communication, and encouraging shareholders to attend general meetings of the company and making appropriate time available at such meetings for shareholders to ask questions of directors and management.

The company's auditor attends any general meetings of shareholders and is available to answer questions about the conduct of audits and the preparation and content of the audit reports.

DISCLOSURES

STOCK EXCHANGE LISTINGS

SKYCITY Entertainment Group Limited is listed on both the New Zealand and Australian Stock Exchanges.

SUBSIDIARY COMPANIES

The changes to subsidiary company directorships during the 12 month period ended 30 June 2004 were as set out below.

On 18 September 2003, A.B. Ryan resigned as a director of SKYCITY International ApS and was appointed an alternate director for E.W. Davies, and M. Svenningsen and J.F. Hansen were appointed as directors.

On 8 March 2004, M. Svenningsen resigned as a director of SKYCITY International ApS, and J. van Rijn was appointed a director.

On 31 March 2004, J.P. Hartley resigned as a director of SKYCITY Auckland Holdings Limited, SKYCITY Auckland Limited and SKYCITY Casino Management Limited.

On 28 June 2004, E.W. Davies and A.B. Ryan were appointed as directors of SKYCITY Investments Christchurch Limited (formerly Aspinall (NZ) Limited), and D.J. Barnett, M.P.B. Kennedy, J.F. Osborne and A.C. Pitcher resigned as directors.

On 29 June 2004, E.W. Davies, A.B. Ryan and M.J. Silberling were appointed as directors of SKYCITY Australia Finance Pty Limited.

The following people held office as directors of subsidiaries of SKYCITY Entertainment Group Limited as at the end of the 2004 financial year, being 30 June 2004. (A) denotes alternate director.

SKYCITY Auckland Holdings Limited, SKYCITY Auckland Limited, SKYCITY Casino Management Limited, SKYCITY Management (Auckland) Limited, Abdiel Investments Limited, SKYCITY Construction Limited, Sky Tower Limited, SKYCITY Wellington Limited, SKYCITY International Holdings Limited, SKYCITY Investments Limited, SKYCITY Investments Auckland Limited, SKYCITY Investments Christchurch Limited (formerly Aspinall (NZ) Limited), SKYCITY Action Management Limited, Riverside Fund Limited, Queenstown (Hard Rock) Investments Limited
Directors: E.W. Davies, A.B. Ryan

SKYCITY Australia Pty Limited, SKYCITY Adelaide Pty Limited
Directors: E.W. Davies, G.F. Hawkins, A.B. Ryan

SKYCITY Australia Finance Pty Limited
Directors: E.W. Davies, A.B. Ryan, M.J. Silberling

SKYCITY International ApS
Directors: E.W. Davies, J. van Rijn, J.F. Hansen, A.B. Ryan (A)
A.B. Ryan is alternate director for E.W. Davies

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

Riverside Casino Limited, Riverside Casino Construction Limited
Directors: E.W. Davies, M.R. Gutry (A), B.S. Nabbs, S. Perry, A.B. Ryan
M.R. Gutry is alternate director for S. Perry

SKYCITY Leisure Limited
Directors: M.W. Daniel, E.W. Davies, D.R.K. Gascoigne, D.B. Henry, D.I. Kennedy, A.B. Ryan

SKYCITY Leisure Holdings Limited, SKYCITY Cinemas Limited, SKYCITY Cinemas (Whangarei) Limited, SKYCITY Metro Limited, Cine-Force Limited, Ab Initio Holdings No.13 Limited, Planet Hollywood (Civic Centre) Limited
Director: P.J. Holdaway

SKYCITY Cinemas (Fiji) Limited
Directors: D. Damodar, P.J. Holdaway

Subsequent to balance date, the changes as set out below have occurred in the directorships of the Group companies.

M.W. Daniel, D.R.K. Gascoigne and D.B. Henry resigned as directors of SKYCITY Leisure Limited.

G.F. Hawkins resigned as a director of SKYCITY Australia Pty Limited and SKYCITY Adelaide Pty Limited.

R.H. McGeoch was appointed a director of SKYCITY Australia Pty Limited and SKYCITY Adelaide Pty Limited.

J.F. Hansen resigned as a director of SKYCITY International ApS.

T.F. Nielsen was appointed a director of SKYCITY International ApS.

B.S. Nabbs resigned as a director of Riverside Casino Limited and Riverside Casino Construction Limited.

E.W. Davies and A.B. Ryan were appointed directors of SKYCITY Darwin Holdings Pty Limited (formerly Diamond Darwin Pty Limited), SKYCITY Darwin Pty Limited (formerly Diamond Leisure Pty Limited) and Fernbank Pty Limited, on the acquisition of those companies. T.A.K. Wilson remained a director and the company secretary of those companies. J.J. Murren and G. Jacobs resigned as directors of each company and B. Wright resigned as the company secretary of each company.

REMUNERATION OF DIRECTORS

Remuneration paid to directors or former directors of SKYCITY Entertainment Group Limited during the year ended 30 June 2004 was:

E.W. Davies	$1,151,120
J.P. Hartley	$87,500
R.H. McGeoch	$76,250
P.L. Reddy	$70,000
D.T. Spring	$61,781
E. Toime	$60,000
W.R. Trotter	$60,000

The Managing Director, E.W. Davies, is not paid director's fees. The amount shown next to his name represents the salary and performance bonus paid to him as an employee of the company. The remuneration paid to Mr. Davies comprised a base salary of $800,000 plus a performance-related incentive payment of $351,120 relating to the 2002/03 year.

Mr. J.P. Hartley, former director and chairman of SKYCITY Entertainment Group Limited was paid a retirement amount of $284,375 in July 2004. No other non-executive director of the group or parent company has, since the end of the financial year, received or become entitled to receive a benefit other than director's fees for the 2003/04 financial year or for the reimbursement of expenses incurred in relation to company matters, or as is disclosed elsewhere in this annual report.

Remuneration paid to directors, or former directors, of SKYCITY Leisure Limited during the year ended 30 June 2004 was:

M.W. Daniel	$25,000
D.R.K. Gascoigne	$45,000
D.B. Henry	$25,000

Remuneration paid to directors of Queenstown Casinos Limited (QCL) during the year ended 30 June 2004 was:

E.W. Davies	$7,500
P.J. Hensman	$7,500
A.B. Ryan	$7,500
B.C. Thomas	$7,500

QCL Director's fees for E.W. Davies and A.B. Ryan were paid to SKYCITY Entertainment Group Limited and were not received personally by Messrs Davies or Ryan. Apart from the amounts listed above, no remuneration is received by the directors of the SKYCITY subsidiary companies in their capacity as directors of those companies.

DIRECTORS' AND OFFICERS' INDEMNITIES

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

INTERESTS REGISTER

DISCLOSURE OF DIRECTORS' INTERESTS

Section 140(1) of the Companies Act 1993 requires a director of a company to disclose certain interests. Under subsection (2) a director can make disclosure by giving a general notice in writing to the company of a position held by a director in another named company or entity. The following are particulars as entered in the company's Interests Register as at 30 June 2004 with the notices given by directors during the year ended 30 June 2004 marked with an asterisk.

DIRECTOR	OTHER COMPANY	RELATIONSHIP
E.W. Davies	Melanesian Mission Trust	Trustee
R.H. McGeoch	Aon Risk Services Limited	Member NSW Board of Advice
	CLEAN EVENT International Pty Limited*	Ambassador
	Corrs Chambers Westgarth, Solicitors	Consultant and Chairman Emeritus
	Frontiers Group Australasia Limited	Chairman
	Frontiers Group Limited	Director
	McGeoch Holdings Limited	Chairman
	Pacific Healthcare Limited	Chairman
	Ramsay Health Care Limited	Director
	Saatchi & Saatchi Trans Tasman Advisory Board	Chairman
	Sydney Cricket and Sports Ground Trust	Trustee
	Telecom Corporation of New Zealand Limited	Director
	Telecom Corporation of New Zealand Australia Pty Limited	Chairman
P.L. Reddy	Active Equities Limited	Executive Director and Shareholder
	Infinity Group Limited	Associated Person of Shareholder
	MobilefoneRepair.com Limited	Associated Person of Shareholder
	SKYCITY Community Trust	Trustee
	TeamTalk Limited	Associated Person of Shareholder
	Telecom Corporation of New Zealand Limited	Director
	The New Zealand Exchange Limited*	Member NZX Discipline
	The New Zealand International Festival of the Arts	Trustee
D.T. Spring	ANZ National Bank Limited and subsidiaries*	Director
	Asia 2000 Foundation of New Zealand*	Chairman
	Fletcher Building Limited*	Director
	New Zealand APEC Business Advisory Council*	Chairman
	New Zealand Business and Parliamentary Trust*	Trustee
	Port of Tauranga Limited*	Director
	WEL Networks Limited*	Chairman
E. Toime	Royal Mail Holdings plc	Executive Deputy Chairman
	Royal Mail Group plc	Director
	Post Office Limited	Director
	General Logistics Systems B.V.*	Chairman
	International Postal Corporation*	Board Member
W.R. Trotter	First NZ Capital Group Limited and certain subsidiaries	Executive Chairman

The following details included in the Interests Register as at 30 June 2003, or entered during the year ended 30 June 2004, have been removed during the year ended 30 June 2004.

J.P. Hartley resigned as a director during the period. During the period prior to his resignation on 31 March 2004, Mr. Hartley disclosed that he had become a member of the World Vision MED Advisory Group, had ceased to be a director of The Great New Zealand Business Venture Limited and Vista Entertainment Limited, and had ceased to be deputy chairperson of Infinity Group Limited. As at the date of his resignation Jon Hartley's interests were disclosed in Bluestone Mortgages Limited (director), Pacific Road Corporate Finance (Advisory Board member), RMB Ventures Limited and various investment companies (Advisory Board member), Trango Capital Limited (director and trustee of shareholder), TeleTech Holdings Inc. (Advisory Board member) and World Vision MED Advisory Group (member).

R.H. McGeoch is no longer chairman of Australian Growth Properties Limited or Deputy Chairman of the Australian Pacific Airports Corporation Limited.

P.L. Reddy is no longer a director of Infinity Group Limited, or an associated person of a shareholder of Securefresh Pacific Limited and Vista Entertainment Solutions Limited.

D.T. Spring is no longer chairman of Tenon Limited (formerly Fletcher Challenge Forests Limited) or a director of Maersk New Zealand Limited, Nufarm Limited or The National Bank of New Zealand Limited.

W.R. Trotter is no longer a director of The New Zealand Exchange Limited or NZX Index Management Limited.

DISCLOSURE OF DIRECTORS' INTERESTS IN SHARE TRANSACTIONS

Directors disclosed, pursuant to section 148 of the Companies Act 1993 and Rule 10.5.3 of the Listing Rules of the NZX, the following acquisitions and disposals of relevant interests in SKYCITY shares during the period to 30 June 2004.

SKYCITY undertook a share split on 14 November 2003, converting one share into two shares on that date. Transactions undertaken prior to that date refer to pre-split shares, while transactions after that date refer to post-split shares.

Director	Date of Acquisition/ Disposal during period to 30/6/04	Consideration	Shares Acquired/ (Disposed of)
E W Davies	23 October 2003[1]	$1,075,418.82	(124,346)
	30 April 2004[2]	$1,317,312.90	714,724
	30 April 2004	$3,166,222.89	(714,723)
E Toime	15 August 2003[3]	Nil	(52,553)
	18 September 2003[4]	$149,263.68	20,964
	18 September 2003[3]	Nil	(20,964)

(1) The transaction shown relates to shares held by a trust of which Mr Davies is a discretionary beneficiary.
(2) The transaction shown relates to the exercise of options granted to Mr Davies pursuant to the Executive Share Option Plan approved by shareholders at the annual meeting of the company held on 28 October 1999.
(3) The transactions represent transfers by Mr Toime to a corporate trustee (in which Mr Toime is a shareholder) for a trust of which Mr Toime is a discretionary beneficiary.
(4) The transaction shown relates to the exercise of options granted pursuant to the Non-Executive Director Share Option Plan approved by shareholders at the annual meeting of the company held on 26 October 2000.

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

Directors disclosed, pursuant to Rule 10.5.3 of the Listing Rules of the NZX, the following relevant interests in SKYCITY shares, options and capital notes as at 30 June 2004.

	Shares		Options	
Director	Beneficially held	Non-Beneficially Held	Beneficially Held	Non-Beneficially Held
E.W. Davies	400,001	-	2,998,959	-
R.H. McGeoch	-	-	20,964	-
P.L. Reddy	140,264	5,330	20,964	-
D.T. Spring	10,000	-	-	-
E. Toime	147,034	-	-	-
W.R. Trotter	656,668	-	20,964	-

W.R. Trotter is a trustee of a trust holding 200,000 capital notes.

Options issued to Mr. Davies are issued pursuant to the Executive Share Option Plan (1999 Executive Plan) approved by shareholders at the annual meeting of the company held on 28 October 1999, and the Managing Director Share Option Plan (Managing Director Plan) approved by shareholders at the annual meeting of the company held on 30 October 2002.

Options issued to the non-executive directors are issued pursuant to the Non-Executive Director Share Option Plan (Non-Executive Director Plan) approved by shareholders at the annual meeting of the company held on 26 October 2000.

Options issued under the 1999 Executive Plan are exercisable one year after the date of issue. at the exercise price determined pursuant to the Plans, and lapse if they are not exercised within five years of the date of issue.

Options issued under the Managing Director Plan are exercisable three years after the date of issue.

EMPLOYEE REMUNERATION

The numbers of employees or former employees of the company and its subsidiaries, not being directors of the company, who received remuneration and other benefits in their capacity as employees, the value of which was in excess of $100,000 during the financial year ended 30 June 2004, are listed below:

	Number of Employees			Number of Employees	
Remuneration	Group	Parent Company		Group	Parent Company
$100,000 - $109,999	9	-	$240,000 - $249,999	2	-
$110,000 - $119,999	11	-	$250,000 - $259,999	3	-
$120,000 - $129,999	10	-	$260,000 - $269,999	2	-
$130,000 - $139,999	6	-	$270,000 - $279,999	1	-
$140,000 - $149,999	6	-	$280,000 - $289,999	1	-
$150,000 - $159,999	3	-	$290,000 - $299,999	2	-
$170,000 - $179,999	7	-	$340,000 - $349,999	2	-
$180,000 - $189,999	2	-	$360,000 - $369,999	1	-
$190,000 - $199,999	3	-	$390,000 - $399,999	1	-
$210,000 - $219,999	3	-	$420,000 - $429,999	1	-
$220,000 - $229,999	1	-	$480,000 - $489,999	1	-
$230,000 - $239,999	2	-	$540,000 - $549,999	1	-

DONATIONS

Donations are referred to in Note 3 of the financial statements.

TWENTY LARGEST SHAREHOLDERS AS AT 25 AUGUST 2004		Number of shares	% of issued shares
1	Commonwealth Bank Group / Colonial First State Investment Managers	33,744,682	8.10%
2	Capital Group	26,464,877	6.36%
3	Maple Brown Abbott	16,734,622	4.02%
4	AMP Capital Investors	12,628,581	3.03%
5	Deutsche Asset Management	11,964,308	2.87%
6	Liberty Wanger Asset Management	11,530,000	2.77%
7	Promina Group	8,598,534	2.06%
8	Morgan Stanley Investment Management Group	8,326,129	2.00%
9	Accident Compensation Corporation	7,023,685	1.69%
10	Tower Asset Management	6,909,220	1.66%
11	State Street Global Advisors Group	5,464,742	1.31%
12	ING Investment Management Group	4,740,180	1.14%
13	Bank of New Zealand Structured Finance	4,200,000	1.01%
14	UBS Global Asset Management Group	3,866,173	0.93%
15	ABN Amro Broking Group	3,774,472	0.91%
16	Brook Asset Management	3,479,406	0.84%
17	AXA Group	3,338,715	0.80%
18	Forsyth Barr (Private Clients)	2,929,503	0.70%
19	Barclays Global Investors Group	2,896,402	0.70%
20	Government Superannuation Fund	2,778,348	0.67%
Total		181,392,579	43.56%

The analysis as set out above has been compiled based upon information provided by Computershare Analytics Pty Limited.

Total shares on issue as at 25 August 2004 were 416,401,490. Since the above analysis was completed (as at 25 August 2004) Commonwealth Bank Group / Colonial First State has filed a substantial security holder notice disclosing a reduction in its SKYCITY shareholding to 23.14 million shares.

DISTRIBUTION OF ORDINARY SHARES AND REGISTERED SHAREHOLDINGS AS AT 25 AUGUST 2004

Size of holding	Number of shareholders	Number of shares
1 – 1,000	3,770	2,323,830
1,001 – 5,000	13,747	37,132,817
5,001 – 10,000	4,363	32,344,621
10,001 – 100,000	3,650	82,577,370
over 100,000	140	262,022,852
Total	25,670	416,401,490

As at 25 August 2004 there were 290 holdings of less than 119 shares, being the minimum marketable parcel of shares under ASX Listing Rules. The ASX Listing Rules define the minimum parcel as having a value of A$500. Calculation of the minimum parcel of 119 shares is based on an exchange rate of A$0.9198 and a SKYCITY share price of NZ$4.57.

SUBSTANTIAL SECURITY HOLDERS

As at 17 September 2004, Commonwealth Bank Group gave notice in accordance with the New Zealand Securities Markets Act 1988, that it was a substantial security holder in the company and had a relevant interest in 23,137,108 (5.56%) ordinary shares in the company.

As at 12 December 2003, The Capital Group Companies, Inc. gave notice in accordance with the New Zealand Securities Markets Act 1988, that it was a substantial security holder in the company and had a relevant interest in 25,506,200 (6.14%) ordinary shares in the company.

EVENTS SUBSEQUENT TO BALANCE DATE

The directors are not aware of any matter or circumstance since the end of the financial year, not otherwise referred to in this report, that has significantly or may significantly affect the operations of SKYCITY Entertainment Group Limited or any of its subsidiary companies.

TWENTY LARGEST CAPITAL NOTE HOLDERS AS AT 25 AUGUST 2004		Number of capital notes	% of capital notes
1	New Zealand Central Securities Depository Limited	3,871,000	2.58
2	Custodial Nominees Limited	3,236,000	2.16
3	Investment Custodial Services Limited	1,607,000	1.07
4	Custodial Services Limited	1,578,000	1.05
5	First NZ Capital Custodians Limited	1,243,000	0.83
6	New Zealand Airline Pilots Mutual Benefit Fund – Air Traffic Controllers	600,000	0.40
7	Forbar Custodians Limited – PPM Low A/c	548,000	0.37
8	Forbar Custodians Limited – PPM Medium A/c	530,000	0.35
9	John Richard Avery and Peter Glen Inger and Joanne Adele Inger	500,000	0.33
10	Cogent Nominees Limited	500,000	0.33
11	Custodial Services Limited	483,000	0.32
12	Adam Consultants and Administrators Wellington Limited	400,000	0.27
13	Knox Home Trust Board Inc.	400,000	0.27
14	Maori Education Trust	400,000	0.27
15	Tappenden Holdings Limited	400,000	0.27
16	Shona Margaret Auton and Robert Joseph Auton	300,000	0.20
17	Colin Alfred Carran and Patricia Anne Carran	300,000	0.20
18	John Richard Matthews and Rosemary Jennifer Matthews and Bruce Redvers Perkins	300,000	0.20
19	Sargood Bequest Nominee Limited	300,000	0.20
20	Alan Gordon Smart	300,000	0.20
Total		17,796,000	11.86%

As at 25 August 2004, 150 million SKYCITY Capital Notes (each Capital Note having an issue value of $1.00) were on issue. The Capital Notes have a maturity date of 15 May 2005.

DISTRIBUTION OF CAPITAL NOTE HOLDINGS AS AT 25 AUGUST 2004

Size of holding	Number of noteholders	Number of capital notes
1 – 1,000	-	-
1,001 – 5,000	668	3,337,000
5,001 – 10,000	1,299	12,123,250
10,001 – 100,000	3,249	102,347,750
over 100,000	107	32,192,000
Total	5,323	150,000,000

WAIVERS FROM THE NEW ZEALAND EXCHANGE (NZX) LISTING RULES

The following waivers from the NZX Listing Rules were effective as at balance date.

On 29 August 2001, the NZX granted a waiver from compliance with Listing Rule 7.3.6 in respect of the participation by Ms. H.R. Shotter in the company's Performance Pay Incentive Plan (PPI) and Executive Share Option Plan. Under the PPI, salaried employees of the company and its subsidiaries are entitled to bonuses, payable in cash and shares, if relevant financial and personal performance targets are met. Under the Executive Share Option Plan (1999), options may be exercised one year after date of issue at the exercise price determined under the Plan. Options lapse if not exercised five years after the date of issue. Ms. Shotter is married to Mr. Davies, the Managing Director of the company. Accordingly, in the absence of the waiver, issues of shares under the PPI and options under the Executive Share Option Plan would have required shareholder approval. The NZX granted the waiver on the condition that Ms. Shotter's participation in the PPI and the Executive Share Option Plan is determined by an independent committee of the board of directors of the company, and that Mr. Davies does not participate in determining the benefits provided to Ms. Shotter.

In addition, on 5 September 2002, the NZX granted waivers from compliance with Listing Rule 7.3.6 in respect of the participation by Ms. Shotter in the company's renewed Performance Pay Incentive Plan (2002 PPI) and the renewed Executive Share Option Plan (2002 Option Plan). Under the 2002 Option Plan, options can not be exercised before three years after the date of their issue, except in special circumstances. As the terms of the 2002 PPI and the 2002 Option Plan are substantially the same as the existing PPI and Executive Share Option Plan (1999), in the absence of the waivers, issues of shares under the 2002 PPI and options under the 2002 Option Plan would require shareholder approval. The NZX granted the waivers on the condition that Ms. Shotter's participation in the 2002 PPI and the 2002 Option Plan is determined by an independent committee, and that Mr. Davies does not participate in determining the benefits provided to Ms. Shotter. The effect of all other waivers granted had ceased as at balance date.

OPTION HOLDERS

As at 25 August 2004 there were:

- 887,929 Options issued under the Executive Share Option Plan approved by shareholders at the annual meeting of the company on 28 October 1999, held by eight holders. These options have no voting rights but entitle the holder to four shares on exercise of each option
- 129,211 Options issued under the Non-Executive Director Share Option Plan approved by shareholders at the annual meeting of the company held on 26 October 2000, held by 4 holders. These options have no voting rights but 24,900 of the options entitle the holder to four shares on exercise of the option, and the balance entitle the holder to two shares on exercise of the option
- 2,338,530 Options issued under the Managing Director Share Option Plan approved by shareholders at the annual meeting of the company on 30 October 2002, held by one holder. These options have no voting rights but entitle the holder to two shares on exercise of the option
- 2,444,000 Options issued under the Executive Share Option Plan approved by directors of the company in August 2002, held by 31 holders. The options have no voting rights but 1,994,000 of the options entitle the holder to two shares on exercise of the option and the balance entitle the holder to one share on exercise of the option.

LIMITATIONS ON ACQUISITION OF ORDINARY SHARES

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

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

to SKYCITY Entertainment Group Limited and any of its subsidiaries.

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

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

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

TRANSFER OF SHARES TO AN ASSOCIATED CASINO PERSON

Clause 12.11 of the company's constitution provides that a transfer of shares to an Associated Casino Person (as defined in the constitution) of a casino licence holder can not take place until the transfer has been approved by the relevant regulatory authority. However, the clause will not apply if, as a result of the transfer, the number of shares held by the transferee or any person associated with it, remains below the level of shareholding (if any) which each regulatory authority has approved for that transferee and any person associated with it.

If a transfer takes place in breach of clause 12.11, then the transferee and the persons associated with them are prevented from exercising votes in respect of the Affected Shares (as defined in the constitution) and their entitlement to a share in the profits of SKYCITY in respect of their respective Affected Shares (whether by way of dividend or other distribution) is suspended until such time as all approvals which needed to be obtained from the regulatory authorities to the increase in the total number of shares held by the transferee and the persons associated with it, as a result of the transfer, have been obtained.

If a regulatory authority does not approve an increase in the number of shares held by the transferee and the persons associated with it, SKYCITY may sell the shares which were acquired by the transferee under the relevant transfer or such other number of shares as may be required.

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

TRANSFER OF SHARES (OTHER THAN TO AN ASSOCIATED CASINO PERSON)

Clause 12.12 of the constitution provides that if a transfer of shares results in the transferee, and the persons associated with that transferee,

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

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

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

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

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

OTHER LEGISLATION / REQUIREMENTS

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

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

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

The New Zealand Overseas Investment Act 1973 and the Overseas Investment Regulations 1995 regulate certain investments in New Zealand by overseas persons. In general terms, the consent of the New Zealand Overseas Investment Commission is likely to be required when an "overseas person" acquires shares or an interest in shares in SKYCITY Entertainment Group Limited that amount to more than 25% of the shares issued by the company, or if the overseas person already holds 25% or more, the acquisition increases that holding.

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

OTHER REQUIRED DISCLOSURES

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

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

SKYCITY Entertainment Group Limited currently has in place an on-market buy-back arrangement.

There are no material differences between the ASX Appendix 4E issued by SKYCITY Entertainment Group Limited for 30 June 2004 and this Annual Report.

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SKYCITY Entertainment Group Limited Annual Report 2004