SKYCITY
ENTERTAINMENT GROUP

SKYCITY Entertainment Group Limited
Annual Report 2006

DATE 27 SEPTEMBER 2006

A SKYCITY PERFORMANCE

10 YEARS OF ENTERTAINMENT

SKYCITY ENTERTAINMENT GROUP

DISTRIBUTION

Total distributions for the 2005/06 year are 26.0 cents per share. The final 2005/06 distribution of 14 cents per share will be made on 6 October 2006 to those shareholders on the SKYCITY register as at 5.00pm on 8 September 2006.

During 2006 SKYCITY implemented a profit distribution plan whereby profits are distributed by way of non-taxable bonus shares, with an option to have the bonus shares bought back for cash. Further information on the final 2005/06 profit distribution was mailed to shareholders on 20 September 2006.

ANNUAL MEETING

The 2006 annual meeting of SKYCITY Entertainment Group Limited will be held in the Auckland Room, SKYCITY Auckland Convention Centre, 88 Federal Street, Auckland on Friday 27 October 2006, commencing at 11.00am.

The notice of meeting, including the agenda, will be mailed to shareholders on 10 October 2006.

ANNUAL REPORT

The board of directors is pleased to present the annual report of SKYCITY Entertainment Group Limited for the year ended 30 June 2006.

ROD McGEOCH
Chairman
27 September 2006

EVAN DAVIES
Managing Director

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CURRENT AND HISTORICAL FINANCIAL INFORMATION, GOVERNANCE STATEMENTS, NEWS RELEASES AND OTHER CORPORATE INFORMATION ARE AVAILABLE ONLINE AT www.skycitygroup.co.nz

THE GREATEST PERFORMANCES ARE ALWAYS TIGHTLY CHOREOGRAPHED AND CAREFULLY MANAGED.

If you're a customer, we're here to entertain you, to provide you with a SKYCITY experience you'll remember.

If you're a shareholder, the evidence is our performance of consistent growth and profitability throughout the past decade.

And if you're one of our team, congratulations, and thank you.

SKYCITY – THE FUN NEVER ENDS

Every SKYCITY experience is underpinned by a single aim: to create fun and entertainment for all our customers.

From the adrenalin buzz of gaming and the ambience of fine dining, to luxury suites and convention choices, to heart-stopping attractions like Sky Jump and over 120 screens that play the best films from around the world, we are determined to be the most popular entertainment and leisure destination in each of the communities in which we operate.

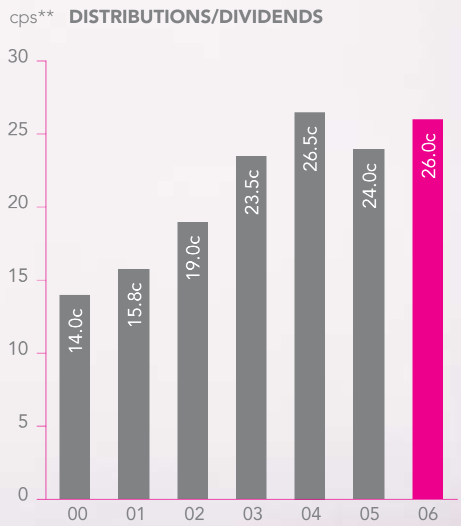
We believe in fun. We stand for creative entertainment. These hallmarks have enabled us to develop a diversified yet focused business that ranks as one of the top 10 publicly-listed companies in New Zealand and a top 150 company in Australia.

The breadth of our operations and our strong track record over 10 years prove that fun is rewarding in every sense. We will continue to work hard to deliver experiences, entertainment and returns that delight our stakeholders.

2006 PERFORMANCE

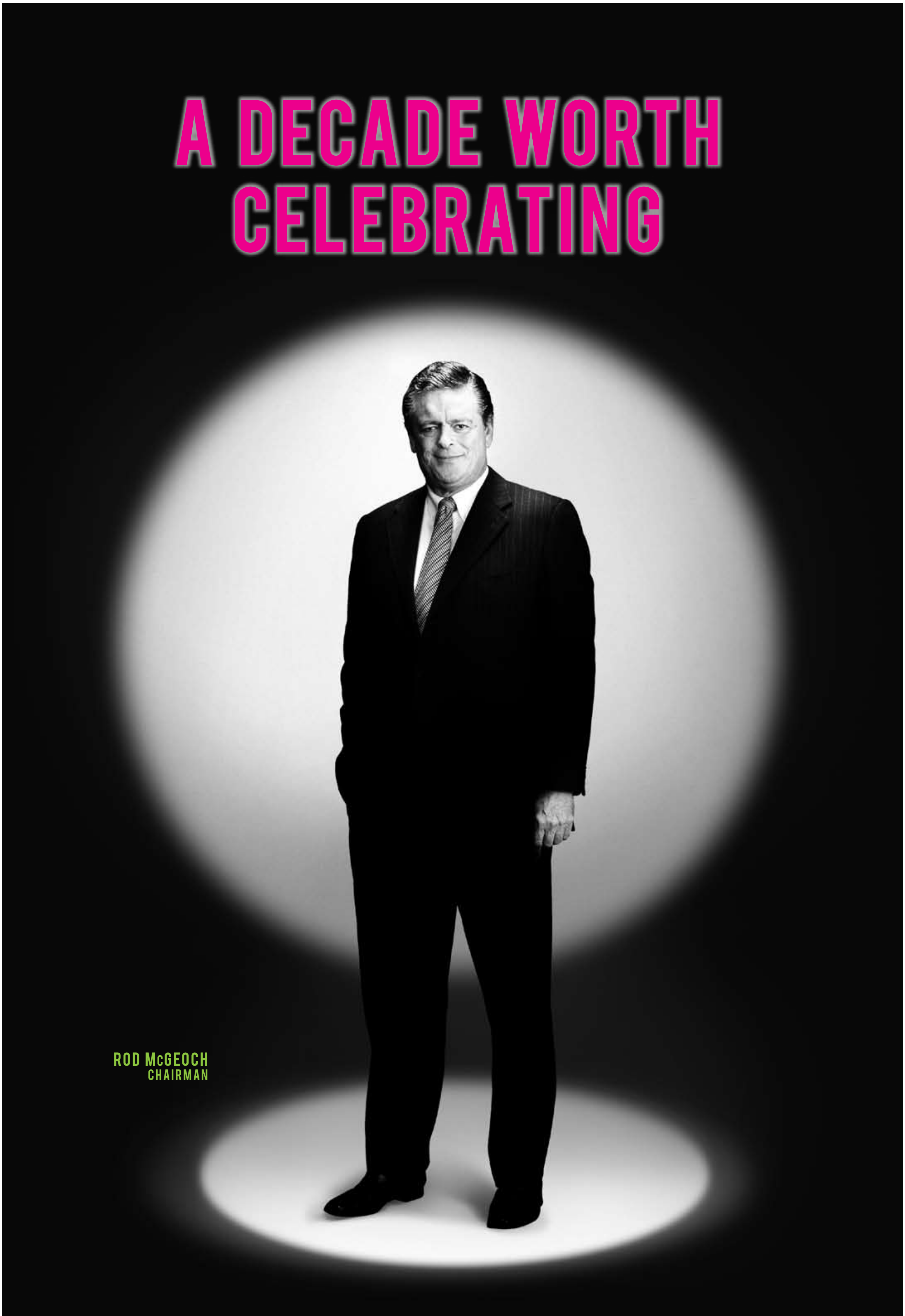
GROUP SUMMARY	2006 $m	2005 $m	Movement (%)
Earnings before Interest and Tax			
- Auckland/Corporate	**$154.6**	$159.2	↓ 2.9%
- Hamilton	**$13.1**	$10.9	↑ 20.2%
- Other New Zealand	**$11.0**	$16.3	↓ 32.5%
- Adelaide	**A$17.1**	A$8.8	↑ 94.3%
- Darwin	**A$28.0**	A$22.6	↑ 23.9%
- Total Group EBIT	**$229.5**	$220.0	↑ 4.3%
Funding	**$77.2**	$74.4	↑ 3.8%
Minority Interests	**$0.4**	($1.1)	
Tax	**$32.6**	38.1	↓ 14.4%
Net Profit after Tax	**$120.1**	$106.4	↑ 12.9%

* Before non-recurring items



** cents per share

A DECADE WORTH CELEBRATING



ROD McGEOCH
CHAIRMAN

SKYCITY is celebrating its 10th year of operation by continuing to grow and expand its entertainment business and deliver strong returns to shareholders. I am pleased to report a continuing high level of commitment by directors, management and staff to business objectives, best practice corporate governance, and compliance with regulatory requirements.

SKYCITY has entered its second decade as a truly trans-Tasman leisure and entertainment business, with over $1.7 billion in assets spanning tourism, cinema complexes, hotel and convention centres, bars, restaurants, casinos and entertainment facilities.

2005/06 Result

Net tax-paid profit of $120.1 million represents a 13% increase over the prior year. As a consequence, our shareholders have enjoyed an increased distribution of 26 cents per share (tax-effective), compared to 24 cents last year.

SKYCITY's 2005/06 result reflects increased earnings across all of the Group's major business units. Auckland, Adelaide, Darwin and Hamilton all reported ahead of 2004/05, with only SKYCITY Leisure and SKYCITY Queenstown reporting reduced earnings. New cinema facilities are expected to enhance the earnings performance of SKYCITY Leisure and we note that Queenstown's 2005/06 result was adversely impacted by lower than anticipated returns from the international sector.

This was the first full year of revenues and earnings from key new facilities, including the five-star SKYCITY Grand Hotel and new VIP gaming rooms in Auckland, and new gaming and food and beverage facilities at SKYCITY Adelaide.

New Projects

Our focus at SKYCITY is to maintain investment and reinvestment in facilities to meet and exceed the expectations of our customers and to ensure that the company's revenue growth momentum continues strongly into the future.

We have announced a $40 million renovation of the main gaming floor at SKYCITY Auckland, to be implemented over the next 18 months. Implementing a complete remodelling of the main floor while, at the same time, minimising impact on customers, will be a challenging task. However, the extensive experience of our architects, engineers, construction and fit-out contractors and project managers in 24/7 projects will ensure the renovation work is completed with minimum disruption. We are confident our customers will be delighted by the new experience that will result from this project.

Based on the success of the first stage of the SKYCITY Adelaide redevelopment, we are looking to move forward with the next stages of this exciting A$75-A$80 million makeover of our Adelaide property and anticipate final completion of all components by June 2009.

At SKYCITY Darwin, new facilities are planned over the next three to four years to encourage additional visitation and spend, and to capitalise on the growth momentum inherent in that region.

In our cinema business, four new complexes totalling 26 screens are planned to be completed and operating by the end of the 2007 calendar year.

Returns to Shareholders

SKYCITY's final distribution of 14 cents per share (interim distribution 12 cents per share) for the 2005/06 year will be paid on 6 October 2006. The full year payment of 26 cents per share represents an increase of 2 cents per share over last year and continues the company's practice of returning 90% of after-tax profit to shareholders.

During 2005/06, SKYCITY introduced a bonus share distribution of profits structure that has been well received by shareholders. We anticipate this bonus share structure will continue for future distributions.

Improving shareholder value is a primary objective for any company and we have been pleased to report strong returns for SKYCITY's shareholders over the last 10 years.

A shareholder who purchased shares on SKYCITY's first day as a listed company in February 1996, at an effective price of NZ$1.60 (after two share splits in 2001 and 2003), has more than tripled their original investment. In addition, they have received more than their original investment back as dividends and distributions over that 10-year period.

In the 14-month period from July 2005 to September 2006, SKYCITY shareholders have enjoyed a gross return of 25%, which compares more than favourably with the NZSX50 Gross Index of 8% over the same period.

Because SKYCITY has a high proportion of cash-based earnings and has been able to finance its capital requirements for maintenance and expansion from its own cash flows and borrowings, shareholders have been able to enjoy both strong value enhancement and a high level of profit distribution. Shareholders can be confident that the momentum of these earnings and distribution flows will continue into the future.

The directors are pleased to note that a significant number of our employees also own a share of their company, with more than 800 staff holding SKYCITY shares. SKYCITY's cash and equity-based incentive remuneration structure for salaried personnel is designed to encourage employee ownership and this staff shareholding level shows the scheme is delivering well in terms of this objective.

Key Strategic Objectives

SKYCITY's key strategic objectives are to grow shareholder value, enhance and expand the business, and deliver strong earnings performance. Central to meeting these objectives is compliance with gaming regulatory requirements, a proactive approach to host responsibility issues, and active community participation in each of our geographic locations.

The directors, on behalf of shareholders, acknowledge the commitment of management and staff to achieving the company's key strategic objectives.

Corporate Governance Best Practice

SKYCITY is fully committed to corporate governance best practice as prescribed by the NZX and ASX principles, recommendations and guidelines. Our governance framework is outlined in detail in this annual report at pages 40-50.

The SKYCITY board formally reviews, on an annual basis, the company's governing charter documents, code of best practice, and treasury, delegated authorities, securities trading and other policies. The directors also review the performance and effectiveness of the board and its committees. We confirm that these formal reviews have been undertaken during the 2005/06 period.

The directors are satisfied that they provide the right mix of skills and experience at the board table. The board is also confident that the information provided by management is to the standard required for effective consideration of issues and for decision-making.

SKYCITY confirms its compliance with gaming rules and procedures, liquor licensing requirements and the monitoring of financial transactions. The company's extensive risk management programme, covering all Group operations, is monitored continuously and is formally reviewed by the Audit and Risk Committee on an annual basis.

The board is satisfied that the internal control environment within the business is robust and effective and that the company's internal audit processes and procedures are effective in identifying issues and initiating remedial actions as and when required.

SKYCITY is committed to providing a significant level of detail when reporting on the operational and financial performance trends within the business. We communicate with external parties as effectively as we are able to, within the strict requirements that govern public company disclosure. The feedback we receive tells us this interaction and involvement with the investment community at both institutional and retail shareholder level is highly valued. We were pleased to host a visit to SKYCITY Auckland by the New Zealand Shareholders' Association in June 2006 and look forward to further contact and liaison with the NZSA.

Regulatory Environment

There has, in recent months, been significant focus and some concern from both the local and international investment communities on the regulatory intervention that has adversely affected the value of a number of New Zealand-listed companies. We note that SKYCITY's regulatory interaction is in a different context to the circumstances that have affected other companies. Their issues have related to competitive access and/or product pricing rather than the social issues associated with host responsibility and harm minimisation, which are the key areas of focus for regulators in our geographical jurisdictions.

SKYCITY shares the same host responsibility and harm minimisation intentions that are reflected in the gaming legislation in New Zealand, South Australia and the Northern Territory. We are fully aligned with these objectives and can fairly claim we have been operating in advance of the legislative requirement since we commenced operations in 1996. We anticipate debate and discussion about how best to achieve the overriding objectives for host responsibility and harm minimisation. However, at the end of the consultative processes that will be initiated, we expect there to be little disagreement as to overall approach and purpose.

We are pleased to report our regulatory and government relationships are on a sound footing in each of our jurisdictions.

Board of Directors

Audit and Risk Committee

On behalf of the board, I wish to thank Sir Dryden Spring for his chairmanship of the Audit and Risk Committee over the last two and a half year period, and to welcome Rob McLeod as the new chairman of this committee as from 1 October 2006.

Acknowledgement

The governance environment for listed companies is imposing increasing demands on boards of directors, and its committees undertake much of the detailed work on behalf of the board. I wish to acknowledge the quality of the work undertaken by directors in respect of both their board and committee roles.

Director Re-election

Elmar Toime and Sir Dryden Spring retire by rotation at this year's annual meeting and have offered themselves for re-election. SKYCITY's board charter requires that, where a director has completed two terms in office since first being appointed by shareholders, they must be formally invited by the board to stand again for re-election. At its August meeting, the board unanimously invited Mr Toime to stand for re-election. Sir Dryden has completed one term since first elected by shareholders at the 2004 annual meeting.

The directors confirm that Elmar Toime and Sir Dryden Spring continue to contribute effectively to the direction of the company and the stewardship of its affairs and that they are fully supportive of both directors standing for re-election at the company's annual meeting in October.

Accounting and Reporting

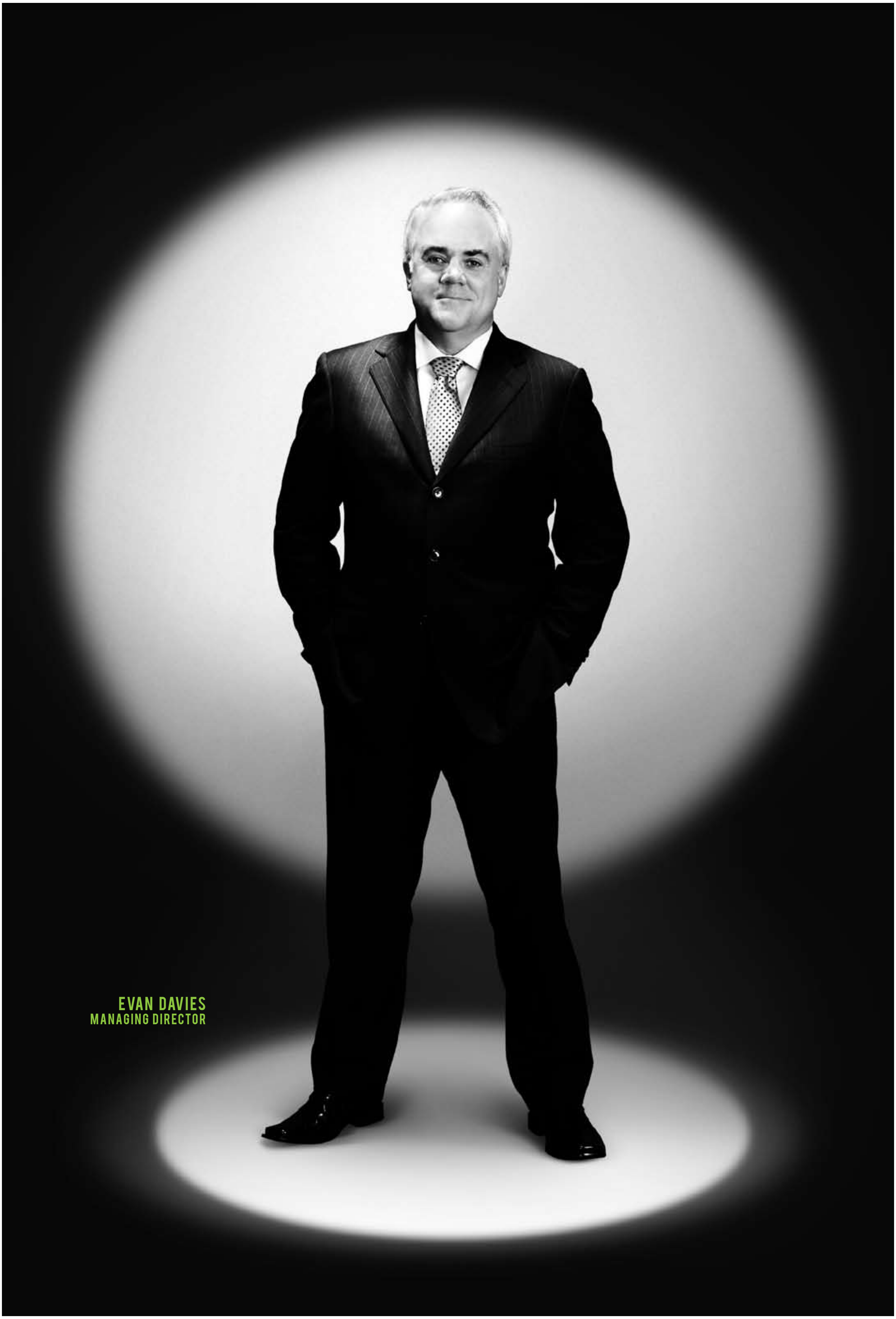
The 2005/06 year is the first that SKYCITY has reported under the new international financial reporting standards (NZ IFRS). SKYCITY is one of the first New Zealand companies to report under NZ IFRS and presentation of our financial results in the new format has gone very smoothly.

As referred earlier, in the corporate governance section of this review, SKYCITY is recognised within the investment and financial communities as a leader in performance disclosure and we are fully committed to maintaining this position.

Annual Meeting

The directors look forward to meeting shareholders at the company's annual meeting to be held at the SKYCITY Auckland Convention Centre on 27 October 2006.

Rod McGeoch
CHAIRMAN



EVAN DAVIES
MANAGING DIRECTOR

2005/06 PERFORMANCE

SKYCITY produced a strong financial performance during the 2005/06 year, with the company consolidating and building on its pre-eminent entertainment and gaming position in each of its locations.

Our strategy has been to invest in existing facilities and to diversify our entertainment interests whilst maintaining a strong focus on capital management. This focus on our core gaming and entertainment business continues to generate new revenues and means we are well placed for growth into 2007.

New Zealand operations have demonstrated good recovery from the smoking bans imposed in New Zealand in December 2004 and customer response to new facilities at both our Auckland and Hamilton properties has been very encouraging.

Australian operations moved forward strongly in both Adelaide and Darwin. The new Southside facilities at SKYCITY Adelaide have proved popular with existing and new customers and SKYCITY Darwin has performed well ahead of expectations in its second year under SKYCITY management.

In July 2006, SKYCITY acquired 100% ownership of the New Zealand cinema chain previously owned in a 50:50 joint venture with Village Roadshow. This increased shareholding extends SKYCITY's entertainment offering in New Zealand. It is our intention to rebrand the New Zealand venues as 'SKYCITY Cinemas' during the next 12 months.

Capital investment in our properties continues to be a key focus. This enhancement and expansion of our core business assets will ensure SKYCITY appeals to a wide range of customers, and that the facilities and services they experience at SKYCITY will continue to meet and exceed their expectations.

Host Responsibility

At SKYCITY we are firmly committed to host responsibility and fully recognise our harm minimisation responsibilities. We believe this focus is in the best interests of both our customers and our shareholders.

Our objectives are fully compatible with the intentions of the gaming legislation, which requires harm minimisation programmes and outcomes that minimise the risk to those who may encounter difficulties with their gaming activities. SKYCITY's programmes have been developed over an extended period of time and we are confident we remain significantly ahead of the legislative requirements.

The increased regulatory focus on the potential risks for some members of the community is welcome and we anticipate working closely with regulators at all operating sites to optimise programmes and outcomes.

During the course of the 2005/06 year, we have further enhanced the company's effectiveness through the recruitment of specialist host responsibility and problem gambling personnel.

2005/06 and Beyond

SKYCITY delivered a strong result for the 2005/06 year in terms of both revenue and earnings performance, with net profit after tax at $120.1 million representing a 13% increase over the prior year.

We have maintained and enhanced our important relationships with gaming regulators in each of our jurisdictions. And we have a confident view of the future based on our existing position and on our plans for taking the business forward.

Our assessment is that we are essentially through the adverse impact effect from the imposition of smoking bans in New Zealand. We are also confident that our renovation plans for the Auckland main gaming floor will help to drive revenues at our flagship Auckland property into the future.

Additional facilities and enhancement of the overall entertainment experience at SKYCITY Hamilton means the strong financial performance achieved to date can be expected to continue. New cinema projects scheduled for the next 18 months, with 26 new screens in Auckland, Hamilton and Wellington, augurs well for revenue performance in our cinema operations.

At SKYCITY Adelaide, we look forward to the next stage of redevelopment, following the success of the Stage I expansion that included a new bar, restaurant and gaming space. At SKYCITY Darwin, we are planning additional investment to capitalise on the growth momentum in this business.

The 2005/06 Result: Key Elements

When we released our 2005/06 result in August, there was some disappointment from the investment community that our second-half results had not matched the very strong first-half performance at SKYCITY Auckland. However, if the 2005/06 year is taken as a whole, the effective recovery in the Auckland business from smoking bans and the $20 note restriction on gaming machines is clearly evident when compared to 2004/05. Within the 2005/06 year, the first-half performance at Auckland was particularly strong and raised second-half expectations. However, a number of internal and external factors, including higher petrol prices and interest costs, contributed to the second half being below this heightened expectation. Nevertheless, we are satisfied with the underlying performance of SKYCITY Auckland and are confident of continued growth in the Auckland business as we move into the 2006/07 year.

A review of the results achieved by our properties during 2005/06 reflects well on the efforts and initiatives of management and staff throughout the Group.

- SKYCITY Auckland revenues for 2005/06 were 8% ahead of the previous year. Revenue increases were reported across all sectors with the Convention Centre, SKYCITY Grand Hotel, and gaming operations the major contributors to the revenue growth.

  Increased resource in key areas, including regulatory and host responsibility, resulted in indirect costs being higher than the previous year and this reduced operating earnings. A significant component of the increase in indirect costs represents a re-basing of cost structure and we anticipate a more historical trend pattern from now on.
- SKYCITY Adelaide delivered a strong revenue performance, with gaming up 18% and food and beverage up 50%. The overall revenue increase of 21% flowed through to a 53% increase in operating earnings before depreciation. Earnings after depreciation and amortisation of casino licence (EBIT) almost doubled the level achieved in the prior year. This strong turnaround in the Adelaide performance is a consequence of SKYCITY's strategy of adding to and enhancing the presentation of our properties and the on-site experience for our customers.
- SKYCITY Darwin continued to exceed expectations in its second year under SKYCITY management, with revenues up 10%. This revenue growth was achieved despite removal of the community slots rebate from 1 July 2005. Gaming revenues rose 8% and food and beverage and hotel and convention revenues were up 18% over 2004/05. Underlying earnings at Darwin, adjusting for removal of the community slots rebate, delivered an impressive 26% increase over the prior period.
- SKYCITY Hamilton produced an excellent performance, significantly ahead of expectations, with revenues up 14% and operating earnings after depreciation up 20%.
- SKYCITY Leisure maintained revenues in line with the prior year, despite a mixed run of film titles. However, increased premises rentals and wages costs meant operating earnings were down on the prior period. We anticipate that the 26 new cinema screens coming on-stream during the next 18 months will add significantly to the revenue potential of our cinema operations.
- SKYCITY's 41% shareholding in Christchurch Casino returned $5.3 million in 2005/06, in line with the previous year. However, our Queenstown operation was below expectations due to a reduced level of international commission play.
- In addition to our focus on operational performance, we achieved some significant foreign exchange gains in conjunction with our 2005/06 debt restructuring programme which, together with a reduced 2005/06 tax charge also arising from debt restructuring, enhanced the Group's net profit result – up 13% over the prior year.

People

Our people continue to work very hard to provide the best experience possible for our customers and the best returns possible for our shareholders.

Whilst our performance-oriented culture and incentive remuneration programmes assist in achieving the high standards of service delivery that we expect from our staff, it is the underlying commitment of our people to do the best job possible on a 24/7 basis that helps to ensure regular customers enjoy their SKYCITY experience on each visit and new customers are impressed and want to return.

I wish to acknowledge the efforts and commitment of SKYCITY's employees during 2005/06 and it will be a continuation of this dedication to excellent service that will drive our performance in the coming year.

Continuing the Momentum

The 2005/06 year was relatively quiet for major capital expenditure, with the SKYCITY Grand Hotel and Convention Centre completed during 2004/05 and Stage I of the Adelaide redevelopment project opening to customers in June 2005.

As referred to earlier, SKYCITY has acquired full ownership of the New Zealand cinema operations previously owned in a 50:50 joint venture with Village Roadshow, and we look forward to revenue growth from our expanded cinema interests.

At the 2005/06 result announcement in August we advised a $40 million renovation of the main gaming floor at SKYCITY Auckland and also outlined our extension plans for SKYCITY Darwin. We are optimistic that we will be able to recommence the redevelopment programme at SKYCITY Adelaide this financial year, continuing to increase the revenue potential of that property. In addition, our cinema expansion programme will consolidate SKYCITY's lead position in the New Zealand cinema sector.

These planned capital programmes are not insignificant in scale but are all closely aligned to SKYCITY's core business operations. The renewal, enhancement and expansion of existing facilities and the creation of new experiences for our customers will continue to grow the potential of the SKYCITY business over the next three years.

We are confident in the future of this business and in the continuation of high quality returns for shareholders.

Evan Davies
MANAGING DIRECTOR

2005/06 OBJECTIVES AND PROGRESS

OBJECTIVES FOR 2005/06		PROGRESS AGAINST OBJECTIVES
SKYCITY ENTERTAINMENT GROUP	SKYCITY ENTERTAINMENT GROUP	
	Continue to evaluate gaming/entertainment opportunities	✓
	Maintain capital management focus	✓
	Positive engagement with regulators in all jurisdictions	✓
	Continued leadership position in host responsibility, working closely with service providers and government agencies	✓
	Continued community involvement in all regions	✓
	Grow shareholder value	✓
SKYCITY AUCKLAND	SKYCITY AUCKLAND	
	Achieve revenue growth in all sectors	✓
	Capitalise on 660 hotel rooms and convention facilities	✓
	Continue to enhance SKYCITY Auckland as an entertainment and tourist destination	✓
SKYCITY ADELAIDE	SKYCITY ADELAIDE	
	Capitalise on the new gaming, restaurant and bar facilities to expand the customer base in Adelaide	✓
SKYCITY DARWIN	SKYCITY DARWIN	
	Optimise and expand the facility to take advantage of the economic environment in Darwin	Under consideration
SKYCITY HAMILTON	SKYCITY HAMILTON	
	Manage costs, grow revenues and sustain margin performance	✓
SKYCITY QUEENSTOWN CASINO	SKYCITY QUEENSTOWN	✗
	Grow gaming revenues and improve profitability	(International VIP revenue)
SKYCITY CINEMAS	SKYCITY CINEMAS	✓
	Expand and enhance cinema exhibition facilities.	In progress
	CHRISTCHURCH CASINO – 40.5% SHAREHOLDING	
	Consider initiatives to refresh and enhance the experience for customers	Under consideration


IT'S BEEN
10
YEARS
IN THE MAKING

10 YEARS IN BRIEF...

LOOKING BACK AT WHAT WE'VE ACHIEVED

SKYCITY AUCKLAND

1994

In 1994, SKYCITY was nothing more than a hole in the ground as construction of SKYCITY Auckland and the now iconic Sky Tower began.

1995

The hype around Auckland's first casino soon developed and a SKYCITY job expo in 1995 attracted 18,000 people.

1996

SKYCITY Auckland opens in February 1996.

2001

SKYCITY Auckland named 'Supreme Award Winner' of the New Zealand Tourism Awards.

2003

SKYCITY Auckland opens PLAY casino and Bar3.

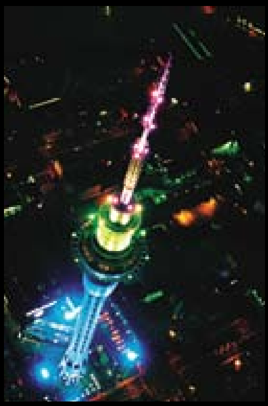
2004

SKYCITY Auckland Convention Centre opens.

2005

SKYCITY Auckland opens five-star Grand Hotel and restaurant 'dine' by Peter Gordon.

SKY TOWER



1994 – 1997

The building of the Sky Tower took two years and nine months. During construction the most sophisticated telemetry ever seen in New Zealand was used, including lasers and real-time readings from seven global positioning satellites.

2003

Sky Tower was named 'New Zealand's Leading Visitor Attraction' at the New Zealand Tourism Awards.

FEBRUARY **1996**

SKYCITY Auckland opens. SKYCITY Limited lists on the New Zealand Stock Exchange.

AUGUST **1997**

Sky Tower opens.

1999

SKYCITY Limited lists on the Australian Stock Exchange.

SKYCITY ADELAIDE

1985

Adelaide Casino opens in December 1985. The heritage-listed building was built in 1924 to house the Adelaide Railway Station.

2000

SKYCITY acquires the business and rebrands it SKYCITY Adelaide.

2004

In 2004, SKYCITY Adelaide starts the first stage of a A$75 million redevelopment.

2005

The redevelopment wins an award of distinction at the 2005 South Australian Tourism Awards.

JUNE

2000

SKYCITY completes the purchase of Adelaide Casino.

DECEMBER

2000

2001

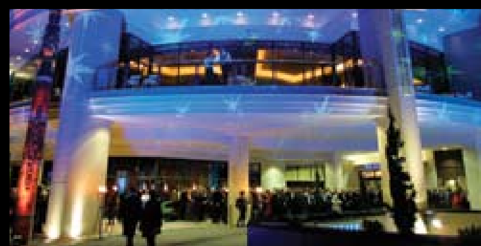
SKYCITY Limited changes its name to SKYCITY Entertainment Group Limited to reflect its evolution from a single-site company to a multi-national, broad-based entertainment business.

SKYCITY QUEENSTOWN

2000

Boutique casino, SKYCITY Queenstown, opens in December 2000. SKYCITY is a 60% owner and operator of SKYCITY Queenstown.

SKYCITY HAMILTON



2002

SKYCITY Hamilton opens in September 2002.

2004

SKYCITY increases its shareholding in SKYCITY Hamilton to 70%.

2005

SKYCITY acquires 100% shareholding in SKYCITY Hamilton and purchases levels two and three of the complex, including the Deck Bar and Café, a tenpin bowling centre, and the Megazone laser game.

SKYCITY Queenstown Casino opens.

SEPTEMBER
2002

SKYCITY Hamilton opens on the banks of the Waikato River.

SKYCITY CINEMAS

2001

SKYCITY acquires majority shareholding in Force Corporation (subsequently renamed SKYCITY Leisure).

2003

First joint-branded Village SKYCITY Cinema opens in Auckland.

2004

SKYCITY fully acquires SKYCITY Leisure Limited.

2005

SKYCITY acquires operational management of the historical Embassy Theatre in Wellington.

Gold Class Cinemas open in Auckland.

2006

SKYCITY purchases the remaining 50% of Village Roadshow's New Zealand cinema exhibition business.

In August, a new nine-screen cinema complex opens in Queensgate, Lower Hutt.

SKYCITY DARWIN

1983

Darwin Casino opens in Australia's Northern Territory.

2004

SKYCITY acquires the Darwin Casino and rebrands it SKYCITY Darwin.

2005

SKYCITY Darwin wins Brolga awards for 'Best Luxury Accommodation' and 'Tourism Restaurants and Catering Services'.

2006

SKYCITY Darwin completes new swimming pool. The pool features a 20 metre lap pool, 20 person spa, beach landing and an infinity edge which provides a seamless view to the sea and beyond.

2004–2006

2004

SKYCITY acquires 40.5% shareholding in Christchurch Casino.

2005

SKYCITY named 'Trans-Tasman Business of the Year' in March 2005.

2006

SKYCITY celebrates its 10th birthday.

JULY
2004

SKYCITY acquires Darwin Casino.

2006

SKYCITY celebrates 10 years.

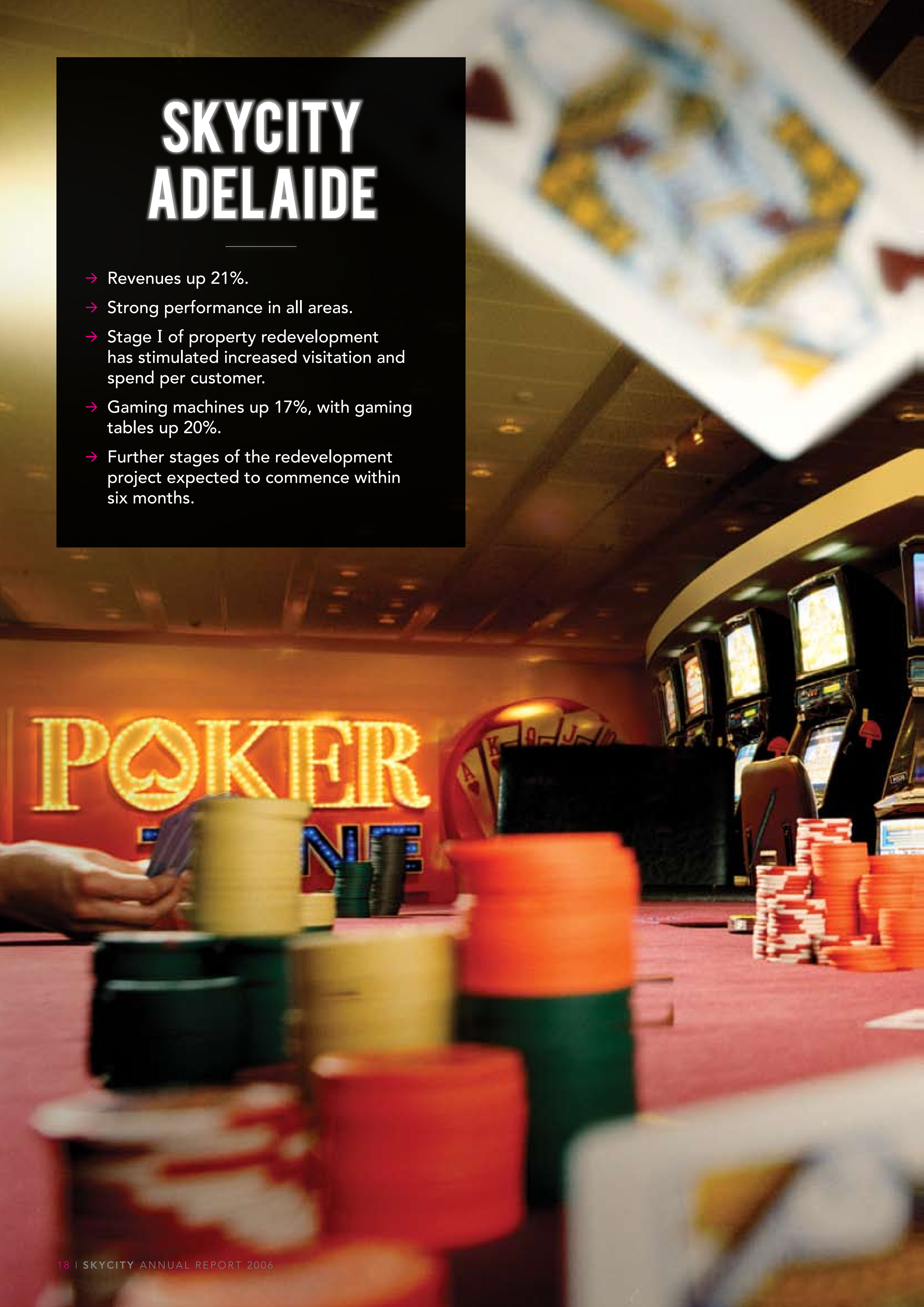
SKYCITY AUCKLAND

- Revenues up 8%.
- Strong growth in table games, due to new VIP facilities and introduction of poker.
- Food and beverage revenues up 11%.
- Demand strong for SKYCITY Auckland Convention Centre, demonstrating leadership position as the preferred convention facility in Auckland.
- SKYCITY Grand Hotel a significant new revenue stream.
- Sky Tower continues as one of the major tourism ‘must see’ destinations in Auckland.

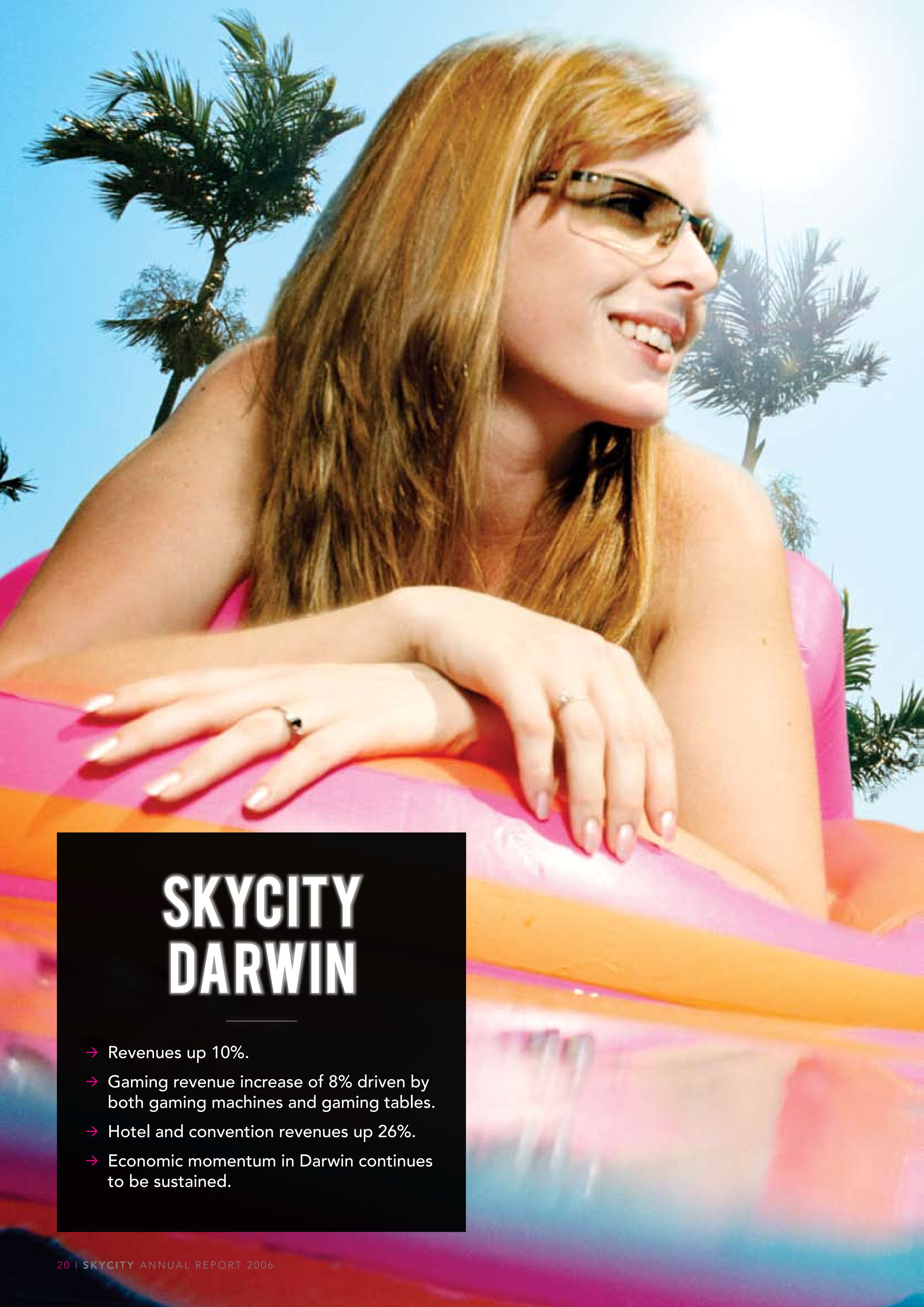
MARIANA GUALBERTO,
SKYCITY GRAND HOTEL.

SKYCITY ADELAIDE

- Revenues up 21%.
- Strong performance in all areas.
- Stage I of property redevelopment has stimulated increased visitation and spend per customer.
- Gaming machines up 17%, with gaming tables up 20%.
- Further stages of the redevelopment project expected to commence within six months.



GUIHONG QIN,
TABLE GAMES DEALER.

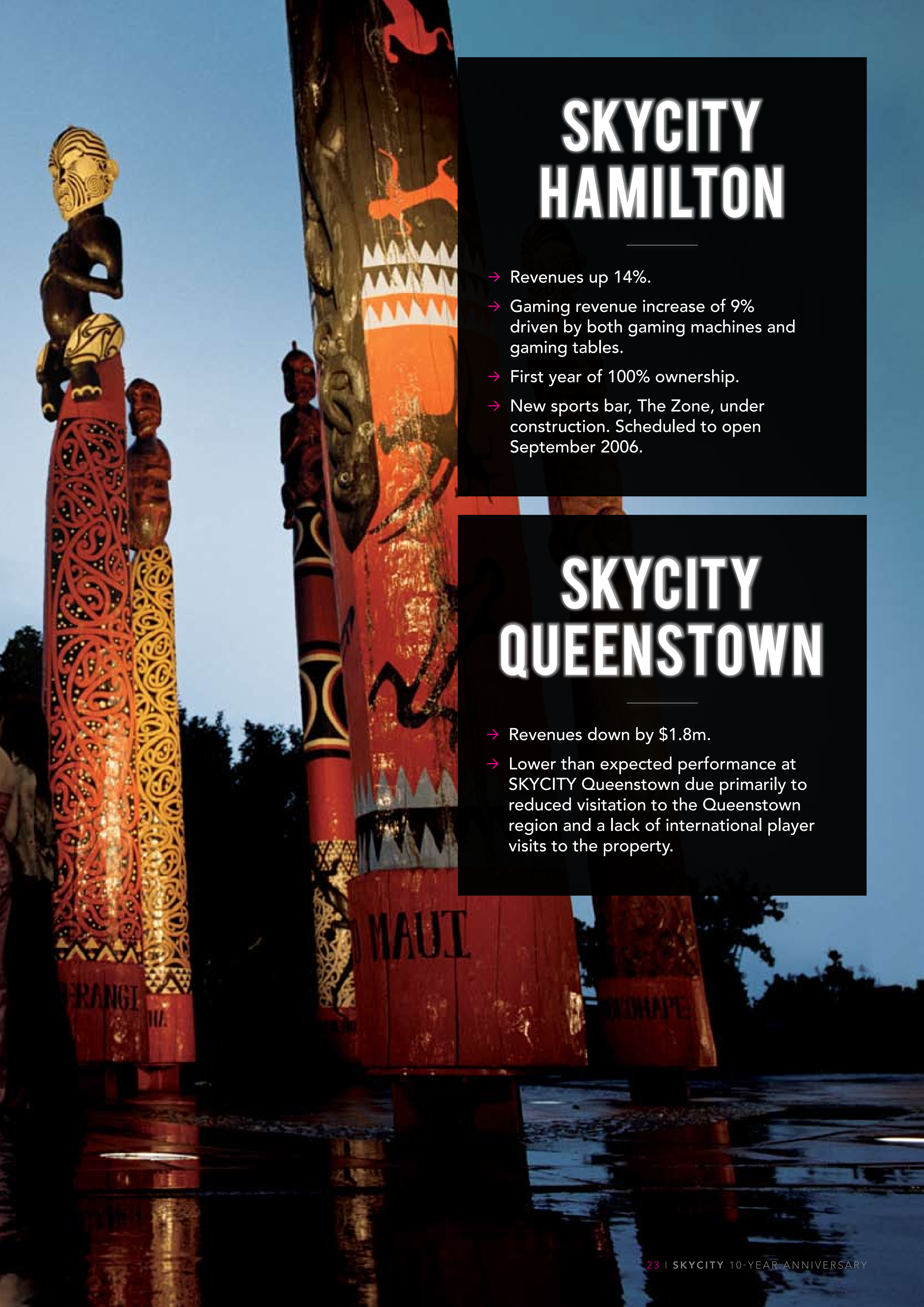


SKYCITY DARWIN

- Revenues up 10%.
- Gaming revenue increase of 8% driven by both gaming machines and gaming tables.
- Hotel and convention revenues up 26%.
- Economic momentum in Darwin continues to be sustained.

AARON McHOURS,
HEAD SURVEILLANCE TECHNICIAN.

TEINA STEVENS,
SECURITY OFFICER.



SKYCITY HAMILTON

- Revenues up 14%.
- Gaming revenue increase of 9% driven by both gaming machines and gaming tables.
- First year of 100% ownership.
- New sports bar, The Zone, under construction. Scheduled to open September 2006.

SKYCITY QUEENSTOWN

- Revenues down by $1.8m.
- Lower than expected performance at SKYCITY Queenstown due primarily to reduced visitation to the Queenstown region and a lack of international player visits to the property.

SKYCITY CINEMAS

- Revenues steady.
- A mixed year for film product but mainstream admissions maintained at FY05 levels.
- Queensgate, a new nine-screen complex in Lower Hutt (Wellington), opened in August 2006.
- Chartwell (Hamilton, six screens) is scheduled to open in April 2007.
- The new Albany (Auckland) and the relocated Manukau (Auckland) 10-screen complexes are scheduled to open in December 2007.

ADRIAN ROSS,
SECURITY.

HOST RESPONSIBILITY

SKYCITY shares community concerns about those who may experience problems with gambling or alcohol. We commit significant time and effort into programmes focused on minimising the harm associated with problem gambling, and on the responsible service of alcohol.

Host responsibility is fundamental to the sustainability of our business.

SKYCITY's Approach to Harm Minimisation

SKYCITY's objective is to minimise the harm associated with gambling. To that end, we work closely with public health and problem gambling treatment providers to identify and assist potential and problem gamblers by:

- Looking for and recognising signs of harm, as evidenced by customer behaviour or concern expressed by a third party.
- Providing information and assistance in relation to responsible gambling and advising where to seek help.
- Providing programmes that help at-risk customers limit their play.
- Implementing exclusion policies, including self-barring and third-party exclusions, for those experiencing difficulty controlling their gambling behaviour.
- Providing strict conditions of re-entry for excluded customers.

Our Initiatives

Upon opening in 1996, SKYCITY introduced its host responsibility programme, developed in collaboration with input from government agencies and leading treatment providers.

The SKYCITY programme is comprehensive and Group-wide. Our dedicated host responsibility team work closely with management and staff to identify and assist customers experiencing difficulties. All staff receive training in host responsibility; it is embedded in the business as part of our customer service.

Our ten years of experience means we do not underestimate the challenges and complexities of harm minimisation. There are few benchmarks and limited research to draw on and approaches continue to evolve. Developing and implementing targeted policy is not easy for regulators or operators.

INTRODUCING

Debbie Edwards

MANAGER HARM MINIMISATION – SKYCITY ENTERTAINMENT GROUP

Debbie has held senior policy and funding roles in public health, most recently as the Ministry of Health's Project Leader for Problem Gambling. Debbie leads the development and implementation of SKYCITY's harm minimisation framework, managing initiatives and participating in government policy processes. She works nationally and internationally across government agencies, the problem gambling service sector, other gambling industries and researchers. "The gambling industry, problem gambling services, government agencies and communities all have important contributions to make towards preventing and minimising gambling harm. SKYCITY is committed to taking a leading role through implementation of a robust and effective harm minimisation policy."

Every day, over 20,000 people visit SKYCITY to experience the breadth of entertainment we offer. Our aim is that they enjoy themselves and that their experience is a safe and positive one. Problem gambling and intoxication are not consistent with that objective.

SKYCITY is responding to the challenges by continuing to build positive relationships with regulators, other government agencies and problem gambling service providers in all jurisdictions. We firmly believe in collaborative efforts and that an open dialogue between operators, problem gambling service providers and government agencies is the most effective way to ensure gambling harm is minimised. New Zealand and South Australia are at the forefront of developing harm minimisation legislation globally and SKYCITY is committed to playing a leading role in this evolutionary process.

In line with this commitment, we have made a deliberate decision to further expand capacity and resource in host responsibility during 2006 and into 2007.

2005/06 Initiatives

- Further investment in the harm minimisation and host responsibility team, with the recruitment of additional senior health and addiction treatment specialists. Their expertise will help us extend our policy and research, training programmes, and identification, intervention and assistance processes. (See profiles)
- Appointment of a dedicated host responsibility training manager to develop tailored training programmes for each of the regulatory environments in which we operate. Their responsibilities include ensuring all SKYCITY staff are trained to recognise the signs of problem gambling and alcohol intoxication. Host responsibility is an integrated part of our customer service approach.
- SKYCITY undertakes ongoing programme evaluation and has initiated internal staff focus groups, run by leading market research company Colmar Brunton, to obtain detailed insights into the day-to-day issues staff face when implementing host responsibility programmes. Regular 'mystery shopper' evaluations focusing on host responsibility assess staff understanding and identify and address any gaps in knowledge and implementation.
- The establishment of strict and progressive re-entry criteria for those who have previously been excluded from the casino. This policy was developed collaboratively with input from the Department of Internal Affairs, Ministry of Health and treatment providers. The criteria include new rules for third-party exclusions, and close collaboration with treatment providers.

INTRODUCING

Shannon Hanrahan

HOST RESPONSIBILITY MANAGER – SKYCITY ENTERTAINMENT GROUP

Shannon oversees the strategic development and implementation of SKYCITY's host responsibility programme across the Group. He was previously the Alcohol and Liquor Advisory Council of New Zealand's (ALAC) Host Responsibility Programme Manager and Project Manager – Liquor Licensing. He brings a thorough understanding of public health approaches and implementing these in an industry setting.

"This is a really exciting time for host responsibility at SKYCITY. We are building on a strong base by continuing to invest in specialist skills and experience that will enhance our leadership in this still-evolving area."

Outlook

In 2006, we committed to enhancing and evaluating our host responsibility programme. We have the team strength and the right tools to maintain a leadership position in harm minimisation, including host responsibility.

SKYCITY will continue to focus on working with regulators and problem gambling service providers in all jurisdictions. As part of our effort to progress debate, SKYCITY supported and participated in a non-partisan problem gambling 'Think Tank' in September 2006, where international specialists gathered to discuss policy, international best practice and research in harm minimisation.

We are currently developing a Harm Minimisation Framework – a set of over-arching policies that will incorporate public health principles, an evidence-based approach to our programmes with measurement of outcomes. Within this framework, we will continue to develop best practice and quality improvement. We will collaborate with gambling service providers, the health and social services sector and government agencies to look at early intervention, use of technology to support host responsibility and responsible approaches to the marketing of gambling products.

"SKYCITY must be vigilant to ensure the dialogue with New Zealand and Australian regulators and treatment providers is kept open, and that the appropriate balance of harm minimisation and efficient management of legal and legitimate commerce remains at the top of the agenda."

EVAN DAVIES, MANAGING DIRECTOR

INTRODUCING

Linda Poynton

HOST RESPONSIBILITY MANAGER – SKYCITY AUCKLAND

Linda leads the Auckland Host Responsibility Team, managing the implementation of the host responsibility programme. Linda's experience in clinical addiction in the mental health sector includes a role as Clinical Manager of the Higher Ground Rehabilitation Trust, a 30-bed accredited residential facility for the treatment of drug and alcohol addictions.

"My team and I continue to embed host responsibility into our overall customer service ethic. We're committed to working with industry experts and well-regarded treatment providers to gather their support, input and feedback."

OUR PEOPLE

At the heart of every positive experience at SKYCITY is great customer service. That is why we ensure our people are passionate about what they do, and understand the importance of service excellence.

Our commitment begins with recruiting people with the right attitude as well as the right technical skills. Customer service culture is developed by ensuring we have effective leaders and managers who have the skills to train and coach our people.

Making SKYCITY a great place to work helps us build and maintain an engaged and motivated workforce. In 2005/06 we focused on lifting employee engagement and satisfaction. We strive to understand the personal aspirations of our people, provide choices and paths that allow them to grow in their careers, and proactively reward and recognise performance.

Growing the Skills of our People

SKYCITY employs over 4,000 people across a range of entertainment and hospitality operations. Doing this successfully requires dedicated and diverse training programmes.

In 2006, SKYCITY began to formally acknowledge individual skills and in-house training programmes by delivering nationally recognised qualifications in partnership with tertiary institutes and the New Zealand Qualifications Authority (NZQA).

SKYCITY is now offering a Certificate in Food and Beverage Service. This is a nationally recognised, on-site qualification developed in conjunction with the Hospitality Standards Institute that will be available to all new and existing employees.

In 2006/07 we will move to offer a National Certificate in Casino Security. Security managers and officers currently receive in-house training but no formal qualification. The new NZQA Certificate in Casino Security will formally recognise staff that have successfully completed training to a high degree of competency.

Across the Group, our commitment to providing our customers with a SKYCITY experience to remember is evident in the large numbers attending the targeted training programme 'Great Service'. The benefits of this are becoming evident as customer service levels continue to increase across all our businesses.

SKYCITY also promotes programmes that broaden staff skills. In Adelaide, the introduction of Mandarin language and culture education has proved popular and has led to improved employee-customer experiences. In Auckland, literacy-training group, Workbase, has conducted a training needs analysis of cleaning and building services staff. As a result, 21 staff members have been offered the opportunity to participate in a 48-week literacy programme starting in July 2006.

Recognition and Reward

SKYCITY is unique in the entertainment and hospitality sector in offering incentive-based bonuses to waged staff. The Customer Experience Incentive (CEI) pays waged staff a cash bonus when both customer service and company financial targets are met.

Customer satisfaction is independently measured each month through market research. In 2006 we produced some of our strongest ever customer service results. $1.6 million has been paid out, in cash, to 1,820 staff across all sectors of the business. That lifts the total staff bonus payout to $6.7 million since the CEI was introduced in 2000 – tangible recognition of our people's contribution to SKYCITY's success.

We are also enhancing our highly successful 'Quest for the Best' programme. This programme provides an opportunity for staff to identify and recognise colleagues for their excellence in customer service.

In addition, SKYCITY recognises long-term loyalty to the company through a Group-wide recognition programme, where staff are acknowledged for their service at each five-year anniversary.

"SKYCITY's programmes for recruiting, training, developing and retaining staff are all built around one core principle – providing great customer service to deliver memorable SKYCITY experiences."

EVAN DAVIES, MANAGING DIRECTOR

→ LEANNE LIN, WAITRESS.

Developing Leaders

SKYCITY is committed to developing leadership capability at all levels of the business. We see this as fundamental to being a high-performing, customer-focused organisation. Our approach has been to introduce a suite of programmes customised to meet the needs of leaders at different points in their SKYCITY careers.

Our Leadership Trainee Programme has been successfully identifying leadership talent for three years. This is a great opportunity for existing high-potential employees and university graduates interested in a career with SKYCITY to fast-track to operational management roles. We have continued to refine our approach in this area over the past year to ensure trainees are given a solid foundation in the core operations of our business, supported by leadership development training and exposure to key business projects.

New supervisors and managers participate in modular programmes that provide a 'toolbox' of management and leadership skills. Middle to senior managers participate in more customised programmes that allow them to develop their individual leadership style and maximise their personal and team effectiveness. This includes external training, with middle to senior level managers participating in a leadership development programme designed to focus on encouraging behaviours we want our leaders at SKYCITY to demonstrate to their teams.

Finding the Right People

A low-unemployment environment in Australasia, and an international shortage in trained hospitality staff, particularly chefs, have provided SKYCITY with opportunities to be innovative in its recruitment.

Auckland's Modern Apprentices Programme is successfully attracting school-leavers into the workforce and has almost doubled in size from six to ten trainees.

SKYCITY is launching other initiatives to encourage people into chef careers. We have created strong networks with the Worldwide Chef Association, which will partner with us in an international chef exchange programme.

As part of this, we have recently launched a new website to attract local and international chefs to positions at SKYCITY – www.chefnz.co.nz. We are working closely with national and state authorities to get approval in principle to fast-track placement and relocation of international staff.

SKYCITY's strategy is to become a preferred employer in every community in which we operate, and we continue to focus on building a robust and vibrant employment brand.

Snapshot – SKYCITY People

STAFF NUMBERS	2003/04	2004/05	2005/06
SKYCITY Auckland	2,217	2,302	2,377
SKYCITY Adelaide	778	997	1,149
SKYCITY Darwin*	N/A	264	345
SKYCITY Hamilton	240	221	279
SKYCITY Queenstown	68	69	94
Group/Corporate	60	61	73
TOTAL**	**3,363**	**3,914**	**4,317**

* Acquired July 2004. Staff numbers in 2003/04 (pre-acquisition) were 279.

** This table sets out the number of permanent SKYCITY employees (full-time and part-time). SKYCITY currently employs around 1,000 casual staff across the Group. Numbers fluctuate throughout the year to accommodate special events.

ALL STAFF	53% male	47% female
AVERAGE AGE	34.1 years	
AGE GROUPINGS	<20	3.8%
	20 – 29	36.5%
	30 – 39	29.2%
	40 – 49	19.5%
	50 – 59	9.0%
	>60	2.0%
TENURE WITH THE COMPANY	< 1 year	28.4%
	1-2 years	20.8%
	2-4 years	18.9%
	4-6 years	9.9%
	6-8 years	6.6%
	8-10 years	5.3%
	>10 years	10.1%

Health and Safety

We are committed to providing a healthy and safe environment for all our employees and customers.

In New Zealand, SKYCITY has been an Accredited Employer in the Accident Compensation Corporation (ACC) Partnership Programme since August 2000, and our work and injury management practices are audited annually by ACC as part of this accreditation.

In Australia, SKYCITY Adelaide has retained a Good Safety Achiever Business System level two rating, and received favourable comments from auditors regarding improvements to its Occupational Health and Safety systems.

Our continued focus is on reducing lost-time injuries and increasing awareness of health and safety through education and operational practices.

CASE STUDY

SKYCITY: The Very First to Offer Modern Apprenticeships for Chefs

SKYCITY's collaboration with the New Zealand Government to encourage school leavers into chef careers is proving a resounding success.

The Government launched the Modern Apprenticeships Programme in July 2000 to encourage school-leavers into the workforce. SKYCITY was one of New Zealand's first employers to offer in-house apprenticeships and the very first to offer chef training as part of the pilot programme.

Under the scheme, trainee chefs are paid by SKYCITY to complete their three-year on the job culinary apprenticeship.

SKYCITY has trained 10 successful chefs through the Modern Apprenticeship chef training programme and has another 19 chefs currently in their first, second and final year of training. SKYCITY hopes to take on at least 10 new apprentice chefs in the next intake (January 2007). Recruitment for the next intake is in November 2006.

SKYCITY's apprentice chefs have won two annual Modern Apprentice of the Year Awards, launched four years ago by the Hospitality Standards Institute. This year, Heather Kaniuk, who has been working at SKYCITY's 'dine' by Peter Gordon restaurant since October 2005, took top honours. In 2004, Logan Turner, another SKYCITY apprentice, won this prestigious award.

This initiative has been applauded by the Minister for Tertiary Education, Dr Michael Cullen, who recently toured SKYCITY's food and beverage facilities and met some Modern Apprentice trainee chefs.

> "Modern apprenticeships have been very successful in meeting a real need for workplace-based industry training and I am very pleased that SKYCITY is embracing the opportunities offered under the scheme."

DR MICHAEL CULLEN, NEW ZEALAND MINISTER FOR TERTIARY EDUCATION

→ SKYCITY CHEFS AT WORK.

OUR COMMUNITIES

"Our communities have supported SKYCITY as employees, customers, suppliers and neighbours. In return, we have set ourselves the goal of becoming a 'cornerstone enterprise' in each community in which we operate. For us this is about demonstrating leadership and integrity through listening to and supporting our communities."

EVAN DAVIES, MANAGING DIRECTOR

SKYCITY's 10th anniversary year allows us to celebrate a decade of involvement and partnership with our communities.

Being an integral part of our communities is an important part of SKYCITY's identity. As a trans-Tasman company, we are committed to business leadership – being a responsible employer, a tourism leader and contributor to economic growth.

We work beside our communities in many ways. We have established long-term community partnerships supporting local organisations and events. Our community trusts in Auckland, Hamilton and Queenstown have now distributed over $20 million, benefiting over a thousand small and large community groups.

"In the past 10 years, SKYCITY has grown from a single site in Auckland to become a trans-Tasman entertainment and leisure business. We now have $1.7 billion in assets spanning tourism, cinema complexes, hotel and conference accommodation and casinos. SKYCITY is a strong, truly diversified entertainment brand."

EVAN DAVIES, MANAGING DIRECTOR

A Leader in Business

SKYCITY strives to reach the highest possible standards of integrity in business practice and governance. Over 10 years, our business leadership has been recognised as a tourist attraction, community supporter, wealth creator and provider of exciting and memorable experiences.

Recognition of business leadership includes:

- **2000**: Managing Director Evan Davies named New Zealand Executive of the Year, Management Magazine.
- **2001**: SKYCITY named New Zealand Company of the Year, Management Magazine.
- **2002**: SKYCITY named one of the world's top 200 small companies outside the US by Forbes Magazine.

  SKYCITY's customer loyalty programme won an international excellence award at the US National Centre for Database Marketing Awards.
- **2004**: SKYCITY took first place in the PricewaterhouseCoopers 2004 Corporate Value Report.

Our success continued into 2005 with SKYCITY named inaugural 'Trans-Tasman Business of the Year' by the Trans-Tasman Business Circle. This prestigious award acknowledged our successful expansion of the New Zealand business into Australia over five years, making SKYCITY one of four major players in Australasia's gaming and entertainment market.

SKYCITY was also named by Forbes Magazine as one of the top companies in Asia under US$1 billion turnover. This is the third time in the past four years that SKYCITY has been included on this prestigious list.

> "SKYCITY has not tried to be a Kiwi business in Australia. Management has shown an ability to successfully translate its New Zealand based experience and business philosophy into an Australian context, and to deliver compelling customer experiences that suit local conditions and reflect local preferences."
>
> HON JIM McLAY, TRANS-TASMAN BUSINESS CIRCLE CHAIRMAN

A Leading Tourist Destination

The quality of the fun and entertainment enjoyed by customers lies at the heart of SKYCITY's success. Sky Tower is currently New Zealand's most popular paid visitor attraction, with around 700,000 visitors per annum. One in every two international visitors to Auckland visits Sky Tower and 50% of Aucklanders have been up at least once. The Sky Tower, which symbolises our strength in the tourism industry, has received a number of awards during the past decade.

- **2001**: SKYCITY named Supreme Award Winner, New Zealand Tourism Awards.
- **2003**: Sky Tower named New Zealand's leading visitor attraction, New Zealand Tourism Awards.

  SKYCITY Auckland's Food and Beverage Team wins 44 medals at the 11th Annual New Zealand Culinary Fare.
- **2004**: SKYCITY Darwin's Evoo Restaurant awarded Best Accommodation Division Restaurant by the Australian Hotels Association.
- **2005**: SKYCITY Darwin receives 'Luxury Accommodation' and 'Tourism Restaurants and Catering Services' awards at the Brolga Awards.
- **2005**: SKYCITY Darwin chefs win the Nestlé Golden Chef's Hat competition.
- **2005**: SKYCITY Adelaide receives an Award of Distinction for its Stage I redevelopment at the South Australian Tourism Awards.

In May 2006, customers nominated all three SKYCITY hotels for the inaugural HotelClub Australia and New Zealand Awards, with SKYCITY Auckland and SKYCITY Darwin each taking top honours in their category.

The quality of our accommodation was further recognised in August 2006, when SKYCITY's Grand Hotel was recognised as 'the best of the best' by Qualmark, which provides the New Zealand tourism industry's official rating. Only 10 hotels in New Zealand carry the Qualmark five-star quality grading – and the Grand Hotel took prize position for its exceptional quality standards. The Grand Hotel was also selected by Qualmark as the benchmark training property for its accommodation assessors.

In addition, Auckland's Grand Hotel restaurant 'dine' by Peter Gordon was runner-up 'Best Restaurant' and overall winner 'Best Dining Room' in the fiercely contested Metro Magazine 2006 Best Restaurant Awards.

In Darwin, SKYCITY won both 'Best Superior Accommodation' and 'Best Accommodation Division Restaurant' at this year's Australian Hotels Association Awards. SKYCITY Darwin also came first in the 'Territory Culinary Challenge 2006', where Northern Territory chefs were challenged to create cuisine with uniquely Territorian ingredients.

→ SKYCITY V8 SUPERCAR CHAMPIONSHIP – DARWIN

→ CHILDREN BENEFIT FROM GRANTS PROVIDED TO NORTH RODNEY BLUE LIGHT FROM THE SKYCITY AUCKLAND COMMUNITY TRUST.

Community Partnerships

To connect with our communities in a meaningful way requires more than one-off donations. It requires long-term partnerships, which involve building a strong understanding of community needs and aspirations, to achieve positive and sustainable outcomes.

As a consequence, many of our partnerships are long-term relationships which have spanned over many years, some since our inception in 1996. These have included support for Starship Foundation, Kidz First Children's Hospital, the New Zealand Breast Cancer Foundation, and Special Olympics New Zealand. SKYCITY Adelaide has worked to assist the Flinders Medical Centre in the campaign to fight childhood obesity. However financial support is only one aspect of these relationships. We provide additional support for our community partners through expertise in fundraising, project management, marketing and communications.

SKYCITY's brand has become almost synonymous with Auckland Rugby as a dedicated supporter over several years. Our recent work with Auckland Rugby's nominated charity, Kidz First, has strengthened that relationship. In Hamilton we continued our commitment to Waikato Rugby.

We have also looked for new sponsorship opportunities that reflect the growing diversity of our business. In 2006 SKYCITY became a Gold sponsor of the New Zealand International Festival of the Arts in Wellington. This relationship was augmented by SKYCITY's naming rights status for the Festival's 'Earth from Above' photographic exhibition – a free outdoor event which drew 200,000 people, becoming the most popular event in the Festival's history. In addition, we announced our principal sponsorship of the Auckland Festival – AK07, Auckland's celebration of the arts, demonstrating our commitment to making Auckland a vibrant and compelling city.

SKYCITY's relationship with the horse racing world is strong. SKYCITY Auckland announced a major new naming rights sponsorship for the Auckland Racing Club at the SKYCITY Auckland Cup Carnival in March 2006. SKYCITY Adelaide has continued its support of the Adelaide Cup Carnival and SKYCITY Darwin sponsors Derby Day, one of the major racing meetings of the Darwin Cup Carnival each year.

SKYCITY Darwin has extended its relationship with motor racing to become the naming rights sponsor of the Darwin round of the V8 Supercars Championship.

SKYCITY Darwin also sponsored the Pride of Australia Awards. These community-based awards recognise the extraordinary contributions of Australia's unsung heroes – everyday Australians who go the extra mile.

Community Relations

Thousands of organisations approach SKYCITY every year in every jurisdiction in which we operate. Each property supports hundreds of local community groups, schools, sports teams, kindergartens and play centres with their fundraising efforts. This support extends to venue use, food and beverage, and fundraising.

SKYCITY Community Trusts

Through Community Trusts in Auckland, Hamilton and Queenstown, SKYCITY is able to provide support for a diverse range of causes important to each local community. Each Trust supports local and regional organisations, and prioritises projects that support community works, health, education, tourism, and arts and culture.

In 2005/06 the three Trusts made 240 grants and distributed $3.5 million. The total amount was higher than the $3.0 million distributed in 2004/05, and slightly less than the $3.8 million distributed in 2003/04. The lower figure in 2004/05 was primarily due to the impact of non-smoking legislation on SKYCITY profits in New Zealand. This year's figures reflect a recovery from this impact.

To date Trust funds distributed total $22.2 million, including $5.6 million to New Zealand's Problem Gambling Committee.*

SKYCITY COMMUNITY TRUST GRANTS, 1996 – 30 June 2006

Total Trust distributions	$22.2 million

*Under New Zealand's Gambling Act 2003, the Problem Gambling Committee, which funded problem gambling services, was disestablished. From 1 October 2004, instead of contributing to the Problem Gambling Committee via the three Community Trusts, SKYCITY Auckland, Hamilton and Queenstown have paid a Problem Gambling Levy of 0.51% of gross profit. The money raised through this levy is administered by the Ministry of Health, and continues to fund problem gambling prevention and treatment initiatives.

SKYCITY will continue to fund each Community Trust at existing levels:

- 2.5% of net profit from the main site operations of SKYCITY Auckland, or a minimum of $500,000 p.a.
- 1.5% of the revenue from the casino operations of SKYCITY Hamilton p.a.
- 2.5% of net profit from SKYCITY Queenstown Casino or a minimum of $100,000 p.a.

Auckland Grants

The SKYCITY Auckland Community Trust distributed $2.9 million to 98 organisations in the 2005/06 year.

Major grants included:

- $250,000 for Auckland Art Gallery Foundation towards the development of the heritage Auckland Art Gallery building.
- $150,000 to the Starship Foundation towards the Diabetes School Education and Management Programme.
- $150,000 to the South Auckland Health Foundation to assist in the building of a community dental health clinic in Mangere.
- $73,400 for The Kids Help Foundation Trust to install a modern telephone system to assist with the increasing number of phone calls they receive daily.

Hamilton Grants

The SKYCITY Hamilton Community Trust distributed $480,118 to 114 organisations in the 2005/06 year.

Major grants included:

- $21,370 for Invitation to a Voyage Trust towards an 80-minute film about a journey down the Waikato River with local actors.
- $18,000 for a new Life Pac cardiac monitor for the Order of St John Midland Region.
- $15,000 towards the annual 10-day summer festival in Hamilton Gardens.
- $10,000 for Raglan Volunteer Coastguard towards a new rescue vehicle.

Queenstown Grants

The SKYCITY Queenstown Casino Community Trust distributed $120,278 to 25 organisations in the 2005/06 year.

Major grants included:

- $25,000 to Destination Queenstown to support the Queenstown Winter Festival.
- $9,850 for essential training for Arrowtown Volunteer Fire Brigade.
- $9,300 to Wakatipu Victim Support for volunteer training.
- $8,000 towards the Arrowtown Autumn Festival.

Full details of the year's Trust grants are available on www.skycity.co.nz.

INTRODUCING OUR BOARD OF DIRECTORS

SKYCITY's board of directors is responsible for stewardship of the company's assets and investments and for the effective supervision of the management of the company. The board and its committees operate under charter documents which are formally reviewed on an annual basis. In addition to its charter, the board has a comprehensive set of governance procedures in place to ensure that the interests of stakeholders are met and that the company's corporate, community and regulatory responsibilities are fully complied with.

SKYCITY's corporate governance framework is set out in detail in this annual report on pages 40-50.

The board currently comprises six non-executive directors and one executive director. The chairpersons of the board and each of the three board committees are non-executive directors, in compliance with the requirements of the board charter.

Elmar Toime and Sir Dryden Spring, current directors of the company, retire by rotation at the 2006 annual meeting and offer themselves for re-election.

During the 2005/06 year, the board (chaired by Rod McGeoch) formally met on eight occasions.

The board's Audit and Risk Committee (chaired by Sir Dryden Spring) met five times, the Governance and Remuneration Committee (chaired by Patsy Reddy) met four times, and the Nomination Committee (chaired by Rod McGeoch) met on one occasion.

The board and the committees held a number of meetings on an as required basis to consider a range of issues and a number of additional matters were attended to by specifically convened subcommittees of the board, including the SKYCITY ACES notes issue (and prospectus) and due diligence and detailed consideration of the Taverner acquisition prospect.

1 2 3

1 ROD McGEOCH
Chairman

Rod McGeoch was appointed a director in September 2002 and Chairman of the company on 1 April 2004. Based in Sydney, Australia, Mr McGeoch is a director of Telecom Corporation of New Zealand Limited, LIPA Pharmaceuticals Limited, Ramsay Health Care Limited and Frontiers Group Limited. He is chairman of Pacific Healthcare Limited, Saatchi & Saatchi's Trans-Tasman Advisory Board and Vantage Private Equity Growth Limited. Mr McGeoch is an Australian Prime Ministerial appointment to the Australia and New Zealand Leadership Forum, a trustee of the Sydney Cricket and Sports Ground Trust and a member of the New Zealand Rugby World Cup 2011 Advisory Bid Committee.

2 EVAN DAVIES
Managing Director

Evan Davies has been Managing Director of SKYCITY Entertainment Group since February 1996. Mr Davies is also a director of SKYCITY subsidiary companies and a director of Christchurch Casinos Limited. He is a trustee of the Anglican Trust for Women and Children and the Melanesian Mission Trust.

3 PATSY REDDY
Deputy Chairperson

Patsy Reddy has been a director since 1994. She is Deputy Chairperson of the board and chairs the Governance and Remuneration Committee. Ms Reddy is a non-executive director of Telecom Corporation of New Zealand Limited and Active Equities Limited and is 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, the SKYCITY Auckland Community Trust and a member of the Adam Art Gallery Advisory Board.

4 ROB McLEOD

Rob McLeod was appointed a director in October 2004. He is chairman of the New Zealand Business Roundtable and has been a councillor and member of the Executive Board of the Institute of Chartered Accountants of New Zealand. Mr McLeod is a director of a number of companies including Telecom Corporation of New Zealand Limited, ANZ National Bank Limited and Sealord Group Limited. He assumes chairmanship of the Audit and Risk Committee from 1 October 2006.

5 SIR DRYDEN SPRING

Sir Dryden Spring was appointed a director in October 2003. He is chairman of ANZ National Bank Limited, the Asia 2000 Foundation of New Zealand and the New Zealand APEC Business Advisory Council. He is a director of Fletcher Building Limited, Port of Tauranga Limited and Northport Limited. Sir Dryden is also a trustee of the New Zealand Business and Parliamentary Trust. He was chairman of the Audit and Risk Committee until 30 September 2006 and remains a member of the committee.

6 ELMAR TOIME

Elmar Toime was appointed a director in February 1996 and is a member of the Audit and Risk Committee. Mr Toime is a postal sector and management consultant and a non-executive director of Deutsche Post A.G. (Germany) and Blackbay Limited (London). Formerly chief executive officer of New Zealand Post Limited, he has been based in London since March 2003.

7 BILL TROTTER

Bill Trotter was appointed a director in March 2000 and is a member of the Governance and Remuneration Committee. Mr Trotter is executive chairman of First NZ Capital Group Limited.

4 5 6 7

CORPORATE GOVERNANCE

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 governance structures and processes are regularly reviewed to ensure that the highest levels of behaviour and accountability are achieved and to ensure that the company's governance continues to be consistent with international best practice both in compliance format and in substance.

In establishing its governance policies and procedures the SKYCITY board has adopted ten governance parameters as the cornerstone principles of its corporate governance charter. These cornerstone principles, set out below, reflect the Corporate Governance Best Practice Code of the New Zealand Stock Exchange (NZX), Corporate Governance Guidelines of the Australian Stock Exchange (ASX) and the New Zealand Securities Commission's governance recommendations.

The ten cornerstone principles set by the board are:

1. Establish 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.
2. Structure itself to be effective in discharging its responsibilities and duties.
3. Set standards of behaviour expected of company personnel.
4. Safeguard the integrity of the company's financial reporting.
5. Ensure timely and balanced disclosure.
6. Respect and facilitate the rights of shareholders.
7. Recognise and manage risk.
8. Encourage board and management effectiveness.
9. Remunerate fairly and responsibly.
10. Recognise the obligations to all stakeholders.

The board charter is the principal specification of the governance framework within which SKYCITY conducts its affairs. The other supporting charters and policy documents which combine together to comprise SKYCITY's governance framework include:

- The company's Constitution
- Audit and Risk Committee Charter
- Governance and Remuneration Committee Charter
- Nomination Committee Charter
- Terms of Appointment/Terms of Reference for Directors
- Director Independence Guidelines
- 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
- Environmental Policy
- Host Responsibility Policy.

A copy of the board charter and attachments can be obtained from the 'Investor Centre' subsection of the SKYCITY website at www.skycitygroup.co.nz

The objectives of SKYCITY's ten cornerstone governance principles are set out on the following pages.

PRINCIPLE 1

Establish 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.

SKYCITY's procedures are designed to:

- enable the board to provide strategic guidance for the company and effective oversight of management
- clarify the respective roles and responsibilities of board members and senior executives in order to facilitate board and management accountability to both the company and its shareholders.

Role of the board

SKYCITY's board of directors is responsible for supervising the management of the company.

The board establishes the company's objectives, the major strategies for achieving 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 all applicable company and casino law and regulation is complied with, and that the company is well managed for the benefit of its shareholders and other stakeholders. The board also oversees management's risk profiling and business continuity plans.

Specific responsibilities of the board include:

- oversight of the company, including its control and accountability procedures and systems
- approval of the corporate strategy and objectives and oversight of the adequacy of the company's resources required to achieve the strategic objectives
- approval and monitoring of the progress of capital expenditures, capital management initiatives, and acquisitions and divestments
- 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 and performance review 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 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 board has responsibility for the affairs and activities of the company, which in practice is achieved through delegation to the Managing Director and others (including SKYCITY-appointed directors on subsidiary company boards) who are charged with the day to day leadership and management of the company.

The Managing Director also has responsibility to manage and oversee the interfaces between the company and the public and to act as the principal representative of the company.

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

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 the company's affairs, provided they have previously notified the board chairperson of their intention to do so.

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

PRINCIPLE 2
Structure the board to be effective in discharging its responsibilities and duties.

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

- have a sound understanding of, and competence to deal with, the current and emerging issues of the business
- effectively review and challenge the performance of management and exercise independent judgement, and
- assist in the selection of candidates for shareholder vote.

Board composition

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

In order to meet these requirements, the board membership comprises a range of skills and experience to ensure that it has a proper understanding of and competence to deal with the current and emerging issues of the business, to effectively review and challenge the performance of management, and to exercise independent judgement.

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

SKYCITY supports the separation of the role of board chairperson from the Managing Director/Chief Executive Officer position. The current chairman of the board, Rod McGeoch, is an independent director and is not the Managing Director or Chief Executive Officer and has ensured that he has the time necessary to discharge the role effectively. The chairman of the board and the chairpersons of the board committees are elected by the non-executive directors.

The board has established the Nomination Committee to make recommendations on the board's size, selection and removal of directors, on appropriate procedures for director and board evaluation and performance review, the induction, orientation and training of new directors in the company's operations and the gaming/entertainment sector generally, and on the board's succession planning. All directors are members of the Nomination Committee and Rod McGeoch is chair of this committee.

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

The directors at the date of this annual report are Rod McGeoch (Chairman), Evan Davies (Managing Director and the only executive director), Rob McLeod, Patsy Reddy, Sir Dryden Spring, Elmar Toime and Bill Trotter. A brief biography of each director is set out on pages 38 and 39.

Mr Toime and Sir Dryden Spring will retire by rotation at the 2006 annual meeting of the company and, being eligible, offer themselves for re-election. The board charter requires that any director who has served for two terms since their first appointment by shareholders be formally requested by the board to stand for re-election. At its August 2006 meeting, the board considered its composition, the mix of skills and experience on the board, the term of directors on the board, and a range of other matters relating to the continuance of Mr Toime and Sir Dryden. The board noted that both Mr Toime and Sir Dryden have indicated that they would be pleased to continue to contribute to the company's affairs for a further term and have requested both directors to stand for re-election at the 2006 annual meeting.

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 in the ASX Principles of Good Corporate Governance.

At its June 2006 meeting, the board reviewed the status of each director in accordance with the independence specification of the NZX Code and determined that all current directors, other than the Managing Director (Evan Davies), are independent.

The board noted that, under the ASX Independence Guidelines, all non-executive directors except Mr Trotter are considered independent. Mr Trotter is not independent under the ASX 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.

SKYCITY's Code of Business Practice sets out the board's policy on conflicts of interest. 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. When conflicts of interest exist, directors exclude themselves from discussions and do not vote in respect of the relevant matters. The disclosure of existing interests is an ongoing responsibility of each director.

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

Board committees

The board has three formally appointed committees, being the Audit and Risk Committee, Governance and Remuneration Committee and Nomination Committee. The non-executive directors of the board appoint the chairperson of each committee.

Each committee operates under a charter document as agreed by the board. Each committee charter and the performance of each committee is subject to formal review by the board on an annual basis.

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 are authorised to do so by their charters or have been specifically mandated to do so.

All directors are entitled to attend any committee meeting. All directors receive the papers for each committee and the minutes of the committee meetings. The Managing Director attends the board's Audit and Risk Committee and Governance and Remuneration Committee meetings in an ex-officio capacity. The non-executive directors of the board (and the board's committees) also meet independently of the Managing Director and management personnel on a number of occasions during the course of the year, to discuss various issues.

From time to time the board creates specific subcommittees 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 subcommittee. The minutes of any such subcommittee meetings are circulated to all directors.

During the 2005/06 year, the board met formally on eight occasions, seven of which were scheduled meetings and one of which was called to attend to particular items of business. The Audit and Risk Committee met five times, the Governance and Remuneration Committee four times and the Nomination Committee met once. In addition, the directors convened by teleconference to discuss specific issues on a number of occasions during the year. Sir Dryden Spring was chairman at each meeting of the Audit and Risk Committee, as was Patsy Reddy at each meeting of the Governance and Remuneration Committee and Rod McGeoch at the Nomination Committee meeting. The following table shows attendances at board and committee meetings by directors during the year ended 30 June 2006 with the number of meetings held in brackets.

	BOARD (8)	AUDIT & RISK (5)	GOVERNANCE & REMUNERATION (4)	NOMINATION (1)
Rod McGeoch	8		4	1
Evan Davies	8			1
Rob McLeod	8	5		1
Patsy Reddy	8		4	1
Sir Dryden Spring	8	5		1
Elmar Toime	7	5		1
Bill Trotter	8		4	1

PRINCIPLE 3
Set standards of behaviour expected of company personnel.

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

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

Directors 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. Directors must also ensure that information they hold about the company is treated in strict confidence and that property of the company (including information) is used solely in the best interests of the company. Members of the board must also comply with the company's codes for business practice and securities transactions and the company's insider trading policy.

The Governance and Remuneration Committee is responsible for monitoring the organisational integrity of business operations to ensure the maintenance of a high standard of ethical behaviour. This includes ensuring that SKYCITY operates in compliance with its Code of Business Practice, which sets out the guiding principles of its relationships with stakeholder groups such as regulators, shareholders, customers, and employees.

The company's Code of Business Practice is an integral component of the board charter and addresses the following areas:

- compliance with laws, NZX and ASX Listing Rules, casino licences, other regulatory requirements, and co-operation with regulatory bodies
- honest and fair dealing with customers, suppliers 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, and
- the receipt of any benefits from external parties.

The company maintains a code of practice for directors and senior executives that 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, before trading in the company's securities, must obtain the prior consent of the Managing Director or the chairperson or deputy chairperson of the board. The Managing Director, before trading in the company's securities, 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 are 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.

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. The company communicates regularly with the 'officers' to remind them of their obligations and facilitates the filing of notices to ensure full compliance with this requirement.

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

PRINCIPLE 4

Safeguard the integrity of the company's financial reporting.

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

The board has established an Audit and Risk Committee. This committee comprises three directors, all of whom are independent non-executive directors and financially literate.

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

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

The Managing Director and the General Manager Group Finance are required to state in writing to the Audit and Risk Committee that the company's interim and full year financial statements 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 General Manager Corporate provide assurance on the internal control environment, as set out in Principle 7.

The Audit and Risk Committee meets with the internal and external auditors independently of management as often as is appropriate, but not less than twice per annum. The Committee oversees the independence of the company's internal and external auditors and monitors the scope and quantum of work undertaken and fees paid to the auditors for other than audit work. The Committee has adopted an External Audit Independence Policy that sets out the framework for assessing and maintaining audit independence.

The Committee has formally reviewed the independence status of PricewaterhouseCoopers and is satisfied that its objectivity and independence is not compromised as a consequence of 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 of the company.

Fees paid to PricewaterhouseCoopers during the 2005/06 year were for audit services $655,000, other assurance services $988,000 and tax advisory services $1,429,000. Details of these fees are set out in note 7 to the financial statements.

The Audit and Risk Committee Charter requires rotation of the external audit partner not less frequently than every five years. David Randell (PricewaterhouseCoopers), current external audit partner for SKYCITY, was appointed effective October 2003.

SKYCITY policy is that there is a separation of the provision of internal and external audit services. Ernst and Young has acted as SKYCITY's internal audit service provider (previously PricewaterhouseCoopers) since 1 October 2004. Ben Palmer (Ernst and Young), current internal audit partner, was appointed in September 2004.

PRINCIPLE 5

Ensure timely and balanced disclosure.

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

- all investors have equal and timely access to material information concerning the company, including its financial situation, performance, ownership and governance, and
- company announcements are factual and presented in a clear and balanced way.

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

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

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

PRINCIPLE 6

Respect and facilitate the rights of shareholders.

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

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

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

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

PRINCIPLE 7

Recognise and manage risk.

The company maintains a programme for the identification, assessment, monitoring and management of risk to the company's business. The risk management programme is approved and overseen by the Audit and Risk Committee 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/disaster recovery plans are in place and are well understood throughout the organisation.

The Managing Director and the General Manager Corporate are required to state in writing to the Audit and Risk Committee that the annual financial statements are 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.

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

PRINCIPLE 8

Encourage board and management effectiveness.

Directors are provided with all information required for the performance of their duties. Detailed information to facilitate the decision-making process is included in the board papers and is supported by access to senior managers. 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.

The Nomination Committee ensures that new members take part in an induction programme to familiarise themselves with the company's operations and the gaming/entertainment sector generally. The board also undertakes a programme of site visits to ensure directors remain familiar with each of the company's locations.

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

The Governance and Remuneration Committee undertakes the performance review of the Managing Director and those reporting directly to that position in accordance with the company's performance review procedures.

PRINCIPLE 9

Remunerate fairly and responsibly.

The Governance and Remuneration Committee's responsibilities include the review of SKYCITY's remuneration policies and procedures, review of the performance of the Managing Director and the direct reports to the Managing Director and approval of their remuneration and incentives, review of incentive remuneration performance targets and recommendation of incentive payments, and oversight of the company's recruitment, retention and succession policies.

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

Non-executive director remuneration

Non-executive director remuneration is paid in the form of directors' fees. Fees are 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 remuneration may be paid for additional work undertaken by any director, at the discretion of the board and subject to the maximum remuneration amount which has been approved by shareholders.

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

Fees are currently $80,000 for non-executive directors, $160,000 for the chairman of the board, and an additional $12,500 for committee chairpersons.

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

Retirement allowances for SKYCITY directors were discontinued at 30 June 2004 with retirement allowances accrued to that date frozen as to amount. Retirement allowances accrued as at 30 June 2004 will not carry any interest entitlement between 1 July 2004 and the date of payment.

The company pays for a director's expenses reasonably incurred in carrying out their duties as a director. The company secretary may authorise such expenses or refer them for approval to the board chairperson, or in the case of the board chairperson, to the chair of the Audit and Risk Committee.

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 the board sets 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 (50%), share rights (25%) and restricted shares (25%). Shareholders approved the issue of share rights and restricted shares to Mr Davies at the 2005 annual meeting.

Mr Davies also has a long-term equity incentive, comprising 2,338,530 share options issued by the company under the terms of the Managing Director Share Option Plan, approved by shareholders at the 2002 annual meeting. These options vested on 10 September 2005 and must be exercised on or before 10 September 2007. Any options not exercised at that time will lapse. At the date of this annual report, Mr Davies had not exercised any of the 2,338,530 options.

The exercise price of the options and share rights escalates from the date of issue by an amount equal to the company's cost of equity less distributions/dividends paid and other returns to shareholders. In this way the options and share rights have no value unless the return to shareholders over the period since the date of issue has exceeded the return that shareholders should expect from their investment.

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. This independent advice is sought to ensure that the remuneration is structured in a way that 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

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 matters as individual capability, scarcity/availability of resource/skill, and specific business needs. This process ensures internal equity between roles and allows comparison with the overall market. Remuneration ranges are reviewed annually to reflect market movements.

Every alternate year SKYCITY engages an international remuneration consultancy to undertake a survey of other companies considered appropriate as comparatives, to test remuneration levels specific to roles to ensure valid comparative 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 in ensuring market competitiveness.

SKYCITY has a formal performance review process. Each year the company reviews its strategic and risk management plans and develops an annual operating plan. This flows through into each business unit 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 subsequently 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.

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

Performance Pay Incentive Plan (PPI)

SKYCITY operates an at-risk component of total remuneration for all salaried employees titled Performance Pay Incentive (PPI). The amount of performance 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 must 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% of their at-risk remuneration.

Payments under PPI have a minimum trigger point based on company financial targets and increase according to the degree by which the company performs relative to these financial targets. In this way the PPI incentive links individual reward to business performance and shareholder interests.

Staff who participate in PPI are paid 40% in cash and 60% in SKYCITY shares. The value of shares is determined by the closing price of SKYCITY shares on the NZSX for the ten trading days following announcement of the SKYCITY annual result. The shares components of a PPI bonus are issued in three equal tranches over a two year period.

PPI is only paid when the company's (or business unit's) return on invested capital meets, exceeds or is within 10% of the predetermined target(s) as set by the board (on the recommendation of the Governance and Remuneration Committee) at the start of each financial year.

Under PPI, salaried personnel base bonuses range from 6.5% to 30.0% of annual salary. The actual bonus amount can be zero or between 0.15 times and 1.5 times the base bonus percentage depending on company (or business unit) performance against target. Individual PPI bonus payments are then subject to performance against the personal goals set at the beginning of the year.

For the 2005/06 year, a total of 1,038 SKYCITY salaried personnel received PPI bonuses totalling $6.2 million (an average bonus payment of $5,961 per participant).

Customer Experience Incentive (CEI)

SKYCITY also has an incentive remuneration plan for waged staff, titled Customer Experience Incentive (CEI). This scheme reflects the company's commitment to providing favourable 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 conducted by independent survey companies.

CEI is only paid when the company's (or business unit's) predetermined financial and customer service targets have been met.

Individual bonuses under CEI range from $60 to $550 net after tax in any six month period, depending on the number of hours worked during the six month periods ending 31 December and 30 June in each year.

For the 2005/06 year, 2,820 waged employees received total CEI bonuses of $1.6 million (an average bonus payment of $581 per participant).

Both the PPI and CEI 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 both PPI and CEI) when they have met the predetermined financial and other thresholds.

Equity-based executive remuneration

Executive Share Rights Plan
The SKYCITY Executive Share Rights Plan (Rights Plan) commenced on 1 July 2005, following expiry of the Executive Share Option Plan 2002. Share rights are issued to a group of approximately 30 senior executives. Rights are issued as a long-term incentive to encourage retention and value creation. The Governance and Remuneration Committee recommends to the board for approval the number of rights to be granted to each executive. The number of rights issued to executives is determined based on a rights valuation calculated by Deloitte Corporate Finance using the binomial methodology. The Deloitte valuation is subject to independent review by the company's auditor, PricewaterhouseCoopers.

The Executive Share Rights Plan is structured to align executive interests with shareholder interests, to motivate executives to drive company performance and to reward executives for loyalty and commitment.

Rights issued under the Executive Share Rights Plan, except in special circumstances, cannot be exercised until three years from the date of issue. Rights issued under the Plan lapse if not exercised on or before the fifth anniversary of their date of issue.

The exercise price of executive share rights 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/ distributions, exceeds the company's cost of equity over the same period. The company's cost of equity 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 cost of equity used to determine the exercise price is recalculated on an annual basis on the anniversary of the issue date of the share right, to ensure that the performance target continues to reflect changes in market conditions.

The base exercise price for executive share rights is the average closing price of SKYCITY shares on the NZSX over the ten trading days following release of the company's result for the financial year to 30 June to the NZX and the ASX. 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/distributions between the date the right was issued and its exercise date.

At exercise, the net benefit of the share right is calculated and then the required number of shares are issued. This results in significantly fewer new shares being issued than was the case under the previous options plan. The Rights Plan, which was approved by the board in December 2004, is for a three year period to 30 June 2008.

The board undertook extensive research and obtained independent expert advice on longer-term incentive remuneration structures before finalising the terms of the Rights Plan. The board is satisfied that the Plan will provide senior executives with an effective longer-term value incentive based on the company's equity market performance.

Executive Share Option Plan
Share options have also been issued to senior executives under the Executive Share Option Plan (Option Plan) that expired in 2005.

The Option Plan operates in much the same way as the Rights Plan, using the same cost of equity less dividends/distributions structure for determining the base price multiplier, except that shares are issued for each option exercised. (Under the Rights Plan the number of shares issued equates to the value between the SKYCITY share price and the rights exercise price at date of exercise).

PRINCIPLE 10
Recognise the obligations to all stakeholders.

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

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

SKYCITY recognises the need to control its impact on the environment and to demonstrate a sound environmental performance. The company's Environmental Policy sets out its environmental commitments. The main environmental issues are efficient utilisation of energy and water resources and the efficient handling of waste materials.

SKYCITY is aware that its business has the potential to create issues for some customers in terms of negative social impacts such as problem gambling. The SKYCITY Host Responsibility Policy has been developed to ensure a consistent responsible host culture amongst all SKYCITY staff at all properties.

The objectives of the SKYCITY Host Responsibility Policy are outlined earlier in this Annual Report. The objectives of the policy include ensuring that each SKYCITY site:

- minimises the potential harm of gaming by:
  - providing information to customers and concerned family members on problem gambling symptoms, self-detection and self-referral for help
  - implementing Group-wide processes that support customers seeking to cease gaming or moderate their behaviour (exclusion) and to take positive action against those who breach these processes
  - consulting with problem gambling counselling and support organisations
  - promoting community awareness and education initiatives on moderating gaming activities as appropriate and the services available for individuals seeking to control their behaviour.
- promotes the need for management and staff to:
  - be alert for excessive gaming activity
  - be alert for under-age gaming and alcohol consumption
  - enforce a standard of dress and behaviour
  - enforce non-smoking requirements (as applicable in New Zealand and South Australia)
  - promote the responsible consumption of alcohol
  - ensure responsible marketing, advertising, promotion and external signage relating to gaming activity, and
  - develop staff competence and commitment towards good host responsibility, through the provision of ongoing staff training.

COMPLIANCE

The NZX and ASX Listing Rules require listed companies to disclose the extent to which they have followed the NZX Corporate Governance Best Practice Code and the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations.

NZX Best Practice Code

SKYCITY confirms that it has complied with the NZX Corporate Governance Best Practice Code during the 2005/06 year.

ASX Principles and Best Practice Recommendations

SKYCITY confirms that it has complied with the ASX Corporate Governance Council's Principles and Best Practice Recommendations, except as follows:

- The company does not disclose the remuneration of its five highest-paid executives. This is an Australian Corporations Act requirement that is included in the ASX Corporate Governance Principles and Best Practice Recommendations. SKYCITY makes the remuneration disclosures required of a New Zealand company under the New Zealand Companies Act 1993 and considers that such disclosure is appropriate in the New Zealand context.
- The company does not make available to external parties certain internal policies and procedures. SKYCITY believes that the board charter and the comprehensive references to governance in this Annual Report and on the company's website provide good disclosure of the company's internal processes and mechanisms and that the underlying intention of the ASX Corporate Governance Council's recommendations on reporting of internal mechanisms have been met.
- Shareholders have not approved extensions of the SKYCITY senior executive options/rights plans. The original SKYCITY executive share option plan was approved by shareholders at the 1999 annual meeting of the company and was subsequently extended by the board in August 2002. The major difference in the 2002 renewal was that the period prior to exercise of options was extended from one year to three years. The Executive Share Rights Plan 2005 (which replaces the Executive Share Option Plan 2002) was approved by the board in December 2004 and is essentially a renewal of the company's longer-term incentive remuneration structure for senior executives but, due to changes in the mechanism within the Plan, the number of new shares that will be issued will be significantly reduced. The Executive Share Rights Plan continues to impose a three year restriction before benefits under the Plan can be realised by participants.

EARNINGS AND FIVE-YEAR TREND STATEMENTS

SUMMARY EARNINGS STATEMENTS

SKYCITY ENTERTAINMENT GROUP LIMITED

YEARS ENDED 30 JUNE	2006 $000	2005 $000	MOVEMENT %
SKYCITY AUCKLAND			
Gaming revenue	**334,761**	318,864	+5.0%
Non-gaming revenue	**92,775**	77,190	+20.2%
Total revenue	**427,536**	396,054	+7.9%
Earnings before interest, tax, depreciation and amortisation	**194,381**	193,290	+0.6%
Depreciation and amortisation expense	**(39,747)**	(34,067)	+16.7%
Earnings before interest and tax	**154,634**	159,223	-2.9%
SKYCITY HAMILTON			
Gaming revenue	**29,749**	27,276	+9.1%
Non-gaming revenue	**5,160**	3,292	+56.7%
Total revenue	**34,909**	30,568	+14.2%
Earnings before interest, tax, depreciation and amortisation	**17,368**	15,100	+15.0%
Depreciation and amortisation expense	**(4,318)**	(4,246)	+1.7%
Earnings before interest and tax	**13,050**	10,854	+20.2%
OTHER NEW ZEALAND			
Gaming revenue	**4,909**	6,717	-26.9%
Non-gaming revenue	**44,022**	45,731	-3.7%
Total revenue	**48,931**	52,448	-6.7%
Earnings before interest, tax, depreciation and amortisation	**14,405**	19,435	-25.9%
Depreciation and amortisation expense	**(3,365)**	(3,090)	+8.9%
Earnings before interest and tax	**11,040**	16,345	-32.5%

YEARS ENDED 30 JUNE	**2006 $000**	2005 $000	MOVEMENT %
SKYCITY ADELAIDE (A$)			
Gaming revenue	**114,368**	96,893	+18.0%
Non-gaming revenue	**16,787**	11,180	+50.2%
Total revenue	**131,155**	108,073	+21.4%
Earnings before interest, tax, depreciation and amortisation	**27,335**	17,794	+53.6%
Depreciation and amortisation expense	**(10,215)**	(9,039)	+13.0%
Earnings before interest and tax	**17,120**	8,755	+95.5%
SKYCITY DARWIN (A$)			
Gaming revenue	**72,161**	62,771	+15.0%
Non-gaming revenue	**16,817**	13,531	+24.3%
Total revenue	**88,978**	76,302	+16.6%
Earnings before interest, tax, depreciation and amortisation	**33,650**	29,750	+13.1%
Depreciation and amortisation expense	**(5,628)**	(7,116)	-20.9%
Earnings before interest and tax	**28,022**	22,634	+23.8%

The summary earnings before income and tax statements by location have been prepared to show the key features of the operating performance achieved by each major business unit within the Group. This presentation differs from the financial statements in that interest received and gains on financial transactions which relate to the company's debt funding arrangements have been included in funding costs. In the financial statements, interest received and some foreign exchange gains/losses are included in other income. Funding costs and tax are included in the consolidated income statements on page 54 of this annual report.

SKYCITY Auckland includes corporate costs.

FY05 has been restated to comply with NZ IFRS.

FIVE-YEAR TREND STATEMENTS

SKYCITY ENTERTAINMENT GROUP LIMITED

CONSOLIDATED INCOME STATEMENTS

YEARS ENDED 30 JUNE	**2006 $000**	2005 $000	2004 $000	2003 $000	2002 $000
Revenue	**752,369**	669,928	590,479	556,493	510,243
Other income/revenue	**5,493**	7,732	280	2,813	758
Total revenue	**757,862**	677,660	590,759	559,306	511,001
Operating expenses	**(463,314)**	(398,910)	(334,492)	(310,395)	(295,480)
Earnings before interest, tax, depreciation and amortisation	**294,548**	278,750	256,267	248,911	215,521
Depreciation and amortisation expense	**(65,016)**	(58,783)	(47,677)	(46,032)	(42,039)
Earnings before interest and tax	**229,532**	219,967	208,590	202,879	173,482
Funding costs	**(77,194)**	(74,364)	(45,165)	(44,259)	(43,409)
Profit before income tax	**152,338**	145,603	163,425	158,620	130,073
Income tax expense	**(32,590)**	(38,078)	(40,400)	(51,117)	(44,286)
(Profit)/loss attributable to minority interests	**381**	(1,111)	(1,899)	(286)	10,518
Net Profit after tax and before non-recurring items	**120,129**	106,414	121,126	107,217	96,305
Non-recurring items	**–**	–	(20,904)	–	(39,152)
Net Profit after tax	**120,129**	106,414	100,222	107,217	57,153

Non-recurring items relate to the following:

- 2002 relates to the write-off of the Force investment in Argentina and SKYCITY goodwill on consolidation of Force Corporation Limited and includes Force Corporation Limited's minority share of the write-off of the investment in Argentina. The net impact of the write-off of the Argentina investment and goodwill was $27.9 million.
- 2004 relates to the write-off of the company's investment in Canbet Limited.

The above income statements have been prepared to show the key features of the operating performance achieved. This presentation differs from the financial statements in that interest received and gains on financial transactions which relate to the company's debt funding arrangements have been included in funding costs. In the financial statements, interest received and some foreign exchange gains/losses are included in other income. Other than this difference the five-year summary income statement is based on NZ IFRS (2005 and 2006) and on NZ GAAP (2002 to 2004).

CONSOLIDATED BALANCE SHEETS

AS AT 30 JUNE	2006 $000	2005 $000	2004 $000	2003 $000	2002 $000
ASSETS					
Current assets					
Cash and bank balances	**74,098**	62,849	53,272	57,264	48,456
Inventories	**5,241**	5,382	3,017	2,898	3,066
Receivables and prepayments	**30,803**	37,158	53,106	6,780	19,970
Derivative financial instruments	**1,477**	–	–	–	–
Assets classified as held for sale	**52,400**	–	–	–	–
Total current assets	**164,019**	105,389	109,395	66,942	71,492
Non-current assets					
Property, plant and equipment	**935,123**	917,967	750,267	636,990	596,037
Investment properties	**8,593**	52,500	–	–	–
Other investments (including associates)	**78,304**	79,820	78,280	21,586	10,051
Intangible assets	**426,011**	377,016	212,373	207,844	223,389
Available for sale financial assets	**2,622**	–	–	–	–
Tax receivables	**47,438**	12,905	9,999	315	–
Deferred tax assets	**26,667**	13,675	–	–	–
Derivative financial instruments	**37,055**	–	–	–	–
Other non-current assets	**–**	–	14,645	3,151	2,250
Total non-current assets	**1,561,813**	1,453,883	1,065,564	869,886	831,727
Total Assets	**1,725,832**	1,559,272	1,174,959	936,828	903,219
LIABILITIES					
Current liabilities					
Payables	**100,776**	97,005	93,619	64,836	61,140
Interest-bearing liabilities	**–**	100,758	101,000	1,000	1,372
Derivative financial instruments	**25**	–	–	–	–
Total current liabilities	**100,801**	197,763	194,619	65,836	62,512
Non-current Liabilities					
Interest-bearing liabilities	**950,904**	956,795	579,967	437,113	405,825
Subordinated debt – capital notes	**123,720**	121,510	149,644	149,266	148,888
Subordinated debt – SKYCITY ACES	**177,956**	–	–	–	–
Deferred tax liabilities	**60,596**	45,438	–	–	–
Derivative financial instruments	**3,072**	–	–	–	–
Convertible notes	**–**	–	8,910	13,365	9,315
Other term liabilities	**–**	–	27,216	24,683	20,811
Total non-current liabilities	**1,316,248**	1,123,743	765,737	624,427	584,839
Total Liabilities	**1,417,049**	1,321,506	960,356	690,263	647,351
Net Assets	**308,783**	**237,766**	**214,603**	**246,565**	**255,868**
EQUITY					
Share capital	**281,735**	226,726	225,871	246,518	232,180
Reserves	**(8,171)**	(5,159)	(7,510)	1,932	(286)
Retained profits	**32,756**	13,355	(7,274)	(7,492)	18,653
Shareholders' Equity	**306,320**	234,922	211,087	240,958	250,547
Minority interests	**2,463**	2,844	3,516	5,607	5,321
Total Equity	**308,783**	**237,766**	**214,603**	**246,565**	**255,868**

The above balance sheet is based on NZ IFRS (2005 and 2006) and on previous NZ GAAP (2002 to 2004).

FINANCIAL RATIOS

	2006 $000	2005 $000	2004 $000	2003 $000	2002 $000
EBITDA : Total Revenue	**38.9%**	41.1%	43.4%	44.5%	42.2%
Profit After Tax : Total Revenue	**15.9%**	15.7%	17.0%	19.2%	11.2%
Total Revenue : Total Assets	**43.9%**	43.5%	50.3%	59.7%	56.6%
Return on Total Assets	**7.0%**	6.8%	8.5%	11.4%	6.3%
Earnings Per Share[1]	**28.5cps**	25.5cps	24.0cps	25.5cps	14.0cps
Dividends / Distributions Paid[2]	**26.0cps**	24.0cps	26.5cps	33.5cps	19.0cps
Net Tangible Assets Per Share[1]	**$(0.28)**	$(0.33)	$0.01	$0.09	$0.08
Interest Cover	**3.8x**	3.7x	5.7x	5.6x	5.0x

(1) Based on weighted average number of shares on issue. Adjusted for 1 : 1 share splits in November 2001 and November 2003.

(2) The dividend paid in the 2003 year of 33.5cps included a special/additional dividend of 10.0cps.

FINANCIAL STATEMENTS 2006

PRICEWATERHOUSECOOPERS

TO THE SHAREHOLDERS OF SKYCITY ENTERTAINMENT GROUP LIMITED

We have audited the financial statements on pages 59 to 111. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 30 June 2006 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 63 to 69.

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 2006 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, tax and accounting advisors.

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 59 to 111:

   (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 2006 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 21 August 2006 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants
Auckland

INCOME STATEMENTS

SKYCITY ENTERTAINMENT GROUP LIMITED

FOR THE YEAR ENDED 30 JUNE 2006	NOTES	CONSOLIDATED 2006 $000	CONSOLIDATED 2005 $000	PARENT 2006 $000	PARENT 2005 $000
Revenue	4	**752,369**	669,928	–	–
Other income	5	**7,891**	13,055	109,353	138,625
Share of net profits of associates	17	**4,316**	26	–	–
Employee benefits expense		**(225,049)**	(186,753)	(15,941)	(11,894)
Depreciation and amortisation expense	6	**(65,016)**	(58,783)	(157)	(14)
Other expenses		**(237,623)**	(211,179)	(10,816)	(5,413)
Directors' fees		**(585)**	(978)	(585)	(966)
Finance costs	6	**(83,965)**	(79,713)	(9,983)	(13,445)
Profit before income tax		**152,338**	145,603	71,871	106,893
Income tax expense	8	**(32,590)**	(38,078)	–	–
Profit before minority interest		**119,748**	107,525	71,871	106,893
(Profit)/loss attributable to minority interest		**381**	(1,111)	–	–
Profit attributable to shareholders of the company		**120,129**	106,414	71,871	106,893
Earnings per share for profit attributable to the shareholders of the company					
Basic earnings per share (cents)	9	**28.5**	25.5	17.1	25.6
Diluted earnings per share (cents)	9	**26.9**	25.2	16.1	25.3

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

BALANCE SHEETS

SKYCITY ENTERTAINMENT GROUP LIMITED

AS AT 30 JUNE 2006	NOTES	CONSOLIDATED 2006 $000	CONSOLIDATED 2005 $000	PARENT 2006 $000	PARENT 2005 $000
ASSETS					
Current assets					
Cash and bank balances		**74,098**	62,849	2	3
Receivables and prepayments	10	**30,803**	37,158	34,166	2,924
Inventories		**5,241**	5,382	–	–
Derivative financial instruments	11	**1,477**	–	–	–
Assets classified as held for sale	12	**52,400**	–	–	–
Total current assets		**164,019**	105,389	34,168	2,927
Non-current assets					
Property, plant and equipment	13	**935,123**	917,967	1,961	788
Investment properties	14	**8,593**	52,500	–	–
Investment in subsidiaries		**–**	–	724,949	598,950
Intangible assets	15	**426,011**	377,016	147	–
Available for sale financial assets	16	**2,622**	–	–	–
Investments in associates	17	**78,304**	281	–	–
Other investments	18	**–**	79,539	–	–
Tax receivables		**47,438**	12,905	–	–
Deferred tax assets	24	**26,667**	13,675	–	–
Derivative financial instruments	11	**37,055**	–	–	–
Total non-current assets		**1,561,813**	1,453,883	727,057	599,738
Total assets		**1,725,832**	1,559,272	761,225	602,665
LIABILITIES					
Current liabilities					
Payables	19	**100,776**	97,005	416,952	287,472
Interest-bearing liabilities	20	**–**	100,758	–	–
Derivative financial instruments	11	**25**	–	–	–
Total current liabilities		**100,801**	197,763	416,952	287,472
Non-current liabilities					
Interest-bearing liabilities	21	**950,904**	956,795	–	–
Subordinated debt – capital notes	22	**123,720**	121,510	123,720	121,510
Subordinated debt – SKYCITY ACES	23	**177,956**	–	–	–
Deferred tax liabilities	25	**60,596**	45,438	–	–
Derivative financial instruments	11	**3,072**	–	–	–
Total non-current liabilities		**1,316,248**	1,123,743	123,720	121,510
Total liabilities		**1,417,049**	1,321,506	540,672	408,982
Net assets		**308,783**	237,766	220,553	193,683
EQUITY					
Share capital	27	**281,735**	226,726	281,735	226,726
Reserves	28(a)	**(8,171)**	(5,159)	4,948	3,270
Retained profits	28(b)	**32,756**	13,355	(66,130)	(36,313)
Shareholders' equity		**306,320**	234,922	220,553	193,683
Minority interest	29	**2,463**	2,844	–	–
Total equity		**308,783**	237,766	220,553	193,683

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

STATEMENTS OF CHANGES IN EQUITY

SKYCITY ENTERTAINMENT GROUP LIMITED

FOR THE YEAR ENDED 30 JUNE 2006	NOTES	CONSOLIDATED 2006 $000	CONSOLIDATED 2005 $000	PARENT 2006 $000	PARENT 2005 $000
Total equity at the beginning of the year		**237,766**	256,726	193,683	203,063
Restatement on adoption of NZ IAS 39		**(4,073)**	–	–	–
Restated total equity at the beginning of the year		**233,693**	256,726	193,683	203,063
Available for sale financial assets	28	**(69)**	–	–	–
Movement in cash flow hedge reserve	28	**(22,161)**	–	–	–
Exchange differences on translation of foreign operations	28	**21,552**	(8,429)	–	–
Net income recognised directly in equity		**(678)**	(8,429)	–	–
Profit for the year		**120,129**	106,414	71,871	106,893
Total recognised income and expense for the year		**119,451**	97,985	71,871	106,893
Exercise of share options		**10,009**	4,685	10,009	4,685
Buy back of shares		**(14,894)**	(13,754)	(14,894)	(13,754)
Share options/rights issued for employee services	27	**874**	569	874	569
Employee share entitlements issued		**2,139**	2,869	2,139	2,869
Shares issued under dividend reinvestment plan		**6,431**	6,106	6,431	6,106
Shares issued under profit distribution plan	27	**50,450**	–	50,450	–
Distributions to owners	30	**(100,667)**	(114,658)	(100,667)	(114,658)
Movement in employee share entitlement reserve	28	**1,678**	(2,090)	1,678	(2,090)
Change in minority interest	29	**(381)**	1,111	–	–
Acquisition of minority interest		**–**	(1,783)	–	–
Amalgamations		**–**	–	(1,021)	–
		(44,361)	(116,945)	(45,001)	(116,273)
Total equity at the end of the year		**308,783**	237,766	220,553	193,683

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

CASH FLOW STATEMENTS

SKYCITY ENTERTAINMENT GROUP LIMITED

FOR THE YEAR ENDED 30 JUNE 2006	NOTES	CONSOLIDATED 2006 $000	CONSOLIDATED 2005 $000	PARENT 2006 $000	PARENT 2005 $000
Cash flows from operating activities					
Receipts from customers		**758,729**	667,845	–	–
Payments to suppliers and employees		**(418,559)**	(347,654)	(21,166)	(13,509)
		340,170	320,191	(21,166)	(13,509)
Dividends received		**3,444**	5,624	–	3,467
Interest received		**3,583**	3,571	971	2,399
Other taxes paid		**(50,884)**	(35,898)	–	–
Income taxes paid		**(45,538)**	(33,799)	–	–
Net cash flows from operating activities	39	**250,775**	259,689	(20,195)	(7,643)
Cash flows from investing activities					
Purchase of business, net of cash acquired	34	**–**	(247,910)	–	–
Purchase of property, plant and equipment		**(57,851)**	(146,159)	(1,452)	(557)
Payments for investment property		**(8,593)**	–	–	–
Payments for intangible assets		**(14,527)**	–	–	–
Dividends from subsidiaries		**–**	–	106,251	130,000
Net cash flows from investing activities		**(80,971)**	(394,069)	104,799	129,443
Cash flows from financing activities					
Exercise of share options		**10,009**	4,685	10,009	4,685
Proceeds from borrowings		**157,550**	665,850	2,210	–
Cash flows associated with closed derivatives		**8,098**	–	–	–
Buy back of shares		**(14,890)**	(13,754)	(14,890)	(13,754)
Repayment of borrowings		**(182,754)**	(317,398)	–	(28,134)
Advances from subsidiaries		**–**	–	(29,111)	37,400
Dividends paid to company shareholders		**(43,790)**	(108,552)	(43,790)	(108,552)
Interest paid		**(92,773)**	(86,815)	(9,033)	(13,444)
Net cash flows from financing activities		**(158,550)**	144,016	(84,605)	(121,799)
Net increase/(decrease) in cash and cash equivalents		**11,254**	9,636	(1)	1
Cash and bank balances at the beginning of the year		**62,849**	53,272	3	2
Effects of exchange rate changes on cash and cash equivalents		**(5)**	(59)	–	–
Cash and bank balances at the end of the year		**74,098**	62,849	2	3

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

1. GENERAL INFORMATION

SKYCITY Entertainment Group Limited (SKYCITY or the company and its subsidiaries or the Group) operates in the entertainment, leisure and recreation, and tourism sectors. The Group has operations in New Zealand, Australia and Fiji.

The company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is Federal House, 86 Federal Street, Auckland. The company has its primary listing on the New Zealand stock exchange and is also listed on the Australian stock exchange.

These consolidated financial statements have been approved for issue by the board of directors on 21 August 2006.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements for the year ended 30 June 2006 have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable New Zealand Financial Reporting Standards.

(a) Basis of Preparation

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

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

Entities Reporting
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Group as at 30 June 2006 and the results of all subsidiaries, joint ventures and associates for the year then ended. SKYCITY Entertainment Group Limited and its subsidiaries together are referred to in these financial statements as the Group.

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

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

Statutory Base
SKYCITY 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.

Application of NZ IFRS 1 First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards
These financial statements are the first Group annual financial statements to be prepared in accordance with NZ IFRS. NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* has been applied in preparing these financial statements.

Financial statements of the Group until 30 June 2005 were prepared in accordance with previous New Zealand Financial Reporting Standards (NZ FRS). NZ FRS differ in certain respects from NZ IFRS. When preparing the financial statements, the company has amended certain accounting, valuation and consolidation methods applied in the NZ FRS financial statements to comply with NZ IFRS. With the exception of financial instruments, the comparative figures in respect of 2005 were restated to reflect these adjustments. The Group has taken the exemption available under NZ IFRS 1 only to apply NZ IAS 32 and NZ IAS 39 from 1 July 2005.

Reconciliations and descriptions of the effect of transition from previous NZ FRS to NZ IFRS on the Group's equity and net income are given in note 41.

Historical Cost Convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available for sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss and investment property.

Critical Accounting Estimates
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the company to exercise its judgement in the process of applying the Group's accounting policies.

(b) Principles of Consolidation

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

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement.

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

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

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

The Group's share of its associates' post-acquisition profits or losses is recognised in the Income Statement, and its share of post-acquisition movements in reserves is recognised in Reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends received from associates are recognised in the parent entity's income statement, while in the consolidated financial statements they reduce the carrying amount of the investment.

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

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

(iii) Joint Ventures
The proportionate interests in the assets, liabilities and expenses of a jointly controlled operation have been incorporated in the financial statements under the appropriate headings.

(c) Segment Reporting
A geographical segment is engaged in providing products or services within a particular economic environment and may be subject to risks and returns that are different from those of segments operating in other economic environments. A business segment is a group of assets and operations engaged in providing products or services that may be subject to risks and returns that are different to those of other business segments. SKYCITY has determined that its primary segments are geographical and its secondary are business segments.

(d) Foreign Currency Translation
(i) Functional and Presentation Currency
Items included in the financial statements of each of the company's operations are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that operation ('functional currency'). The consolidated and parent financial statements are presented in New Zealand dollars, which is the Group's functional and presentation currency.

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

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

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

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

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

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

(e) Revenue Recognition

Revenue is recognised as follows:

(i) Operating Revenue
Operating 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 casino patrons.

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

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

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

(f) Income Tax

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

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

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

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

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

(g) Leases

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

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

(h) Impairment of Assets

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

(i) Cash and Bank Balances

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

(j) Trade Receivables

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

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

(k) 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.

(l) Investments and Other Financial Assets

From 1 July 2005

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

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

This category has two sub-categories: financial assets held for trading and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by the company. The policy of the company is to designate a financial asset at fair value through profit and loss if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are held either for trading or are expected to be realised within 12 months of the Balance Sheet date.

(ii) Loans and Receivables

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

(iii) Held to maturity Investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity.

(iv) Available for sale Financial Assets

Available for sale financial assets, comprising principally marketable equity securities, are non-derivative assets that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the company intends to dispose of the investment within 12 months of the balance sheet date.

Available for sale financial assets and financial assets at fair value through profit and loss are carried at fair value. Loans and receivables and held to maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the Income Statement in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of non-monetary securities classified as available for sale are recognised in equity in the available for sale investments revaluation reserve.

When securities classified as available for sale are sold, the accumulated fair value adjustments are included in the Income Statement as gains and losses from investment securities.

The fair values of quoted investments are based on current bid prices.

(m) Derivatives

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

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

(i) Fair Value Hedge

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

(ii) Cash Flow Hedge

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

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

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

(iii) Derivatives that do not qualify for Hedge Accounting

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

(n) Property, Plant and Equipment

Property, plant and equipment (except for investment properties refer to note 2(o)) is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(h)).

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

(o) Investment Property

Investment property is held for long-term rental yields and is not occupied by the Group. Investment property is carried at fair value, representing open-market value determined annually by independent external valuers. Changes in fair values are recorded in the Income Statement as part of other income.

(p) Intangible Assets

(i) Goodwill

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

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

(ii) Casino Licences

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

The casino licences that have been determined to have an indefinite useful life for amortisation purposes are not amortised but rather are reviewed for impairment on an annual basis.

(iii) Acquired Software

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

(q) Borrowings

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

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

(r) Borrowing Costs

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

(s) Employee Benefits

(i) Wages, Salaries and Annual Leave

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

(ii) Share-based Payments

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

The proceeds received net of any directly attributable transaction costs are credited to share capital when the options are exercised.

(t) Share Capital

Ordinary shares are classified as equity.

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

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

Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

(u) Dividends/Distributions

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

(v) Earnings Per Share

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

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

3. TRANSITION TO NZ IFRS

Application of NZ IFRS 1

These financial statements for the year ended 30 June 2006 are the first annual financial statements that comply with NZ IFRS and IFRS. These financial statements have been prepared as described in note 2(a). The Group has applied NZ IFRS 1 in preparing these consolidated financial statements.

The company's transition date is 1 July 2004 and the opening NZ IFRS balance sheet is prepared as at that date. The reporting date of these financial statements is 30 June 2006. SKYCITY's NZ IFRS adoption date is 1 July 2005. The company has restated the 2005 comparative figures as set out in these financial statements for compliance with NZ IFRS. This information was released to the New Zealand and Australian stock exchanges on 9 February 2006.

In preparing these consolidated financial statements in accordance with NZ IFRS 1, the Group has applied the mandatory exceptions and certain of the optional exemptions from full retrospective application of NZ IFRS.

The Group has elected to apply the following optional exemptions from full retrospective application.

(a) Business Combinations Exemption
The Group has applied the business combinations exemption in NZ IFRS 1. Business combinations that took place prior to the 1 July 2004 transition date have not been restated.

(b) Fair Value as Deemed Cost Exemption
The Group has elected to measure certain items of property, plant and equipment at fair value as at 1 July 2004 and use that fair value as its deemed cost as at 1 July 2004.

(c) Cumulative Translation Differences Exemption
The Group has elected to set the cumulative translation to zero at 1 July 2004. This exemption has been applied to all subsidiaries in accordance with NZ IFRS 1.

(d) Exemption from Restatement of Comparatives for NZ IAS 32 and NZ IAS 39
The Group elected to apply this exemption. The Group applies previous NZ FRS rules to derivatives, financial assets, financial liabilities and to hedging relationships for the 2005 comparative information. The adjustments required for differences between NZ FRS and NZ IAS 32 and NZ IAS 39 are determined and recognised at 1 July 2005.

(e) Share-based Payment Transaction Exemption
The Group has elected to apply the share-based payment exemption. The Group applied NZ IFRS 2 to those options that have been granted since 7 November 2002.

The reconciliations in note 41 provide a quantification of the effect of the transition to NZ IFRS.

4. REVENUE

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
Gaming	**578,391**	524,812	–	–
Non-gaming	**173,978**	145,116	–	–
	752,369	669,928	–	–

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

5. OTHER INCOME

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
Fair value gains on financial assets at fair value through profit or loss	**4,107**	2,013	–	–
Fair value adjustment to investment property (note 14)	**(166)**	572	–	–
Interest income	**3,583**	4,846	971	2,505
Dividend income	**367**	5,624	–	–
Other income	**–**	–	2,131	2,653
Dividends from wholly-owned entities	**–**	–	106,251	133,467
	7,891	13,055	109,353	138,625

6. EXPENSES

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
Profit before income tax includes the following specific expenses:				
Depreciation				
Buildings	**18,081**	12,969	–	–
Plant and equipment	**33,889**	30,796	131	14
Other	**57**	68	–	–
Furniture and fittings	**6,534**	6,171	–	–
Motor vehicles	**275**	175	–	–
Total depreciation	**58,836**	50,179	131	14
Amortisation				
Casino licences	**2,341**	5,467	–	–
Software	**3,839**	3,037	26	–
Rights and concessions	**–**	100	–	–
Total amortisation	**6,180**	8,604	26	–
Finance costs				
Interest and finance charges paid/payable	**94,263**	81,536	9,983	13,445
Exchange gains on foreign currency borrowings	**(10,298)**	(1,823)	–	–
Total finance costs	**83,965**	79,713	9,983	13,445
Rental expense relating to operating leases				
Lease payments	**8,076**	7,768	–	–
Total rental expense relating to operating leases	**8,076**	7,768	–	–

7. REMUNERATION OF AUDITORS

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
(a) Assurance Services				
Audit services				
PricewaterhouseCoopers				
Compliance audit fees	**36**	15	36	15
Statutory audit fees	**619**	560	111	88
Other audit firms for the audit or review of financial reports of subsidiaries	**55**	38	–	–
Total remuneration for audit services	**710**	613	147	103
Other assurance services provided by PricewaterhouseCoopers				
Accounting advice and assistance	**242**	96	242	96
Financial due diligence	**382**	333	–	–
Systems assurance	**68**	–	68	–
IFRS accounting assistance	**73**	130	73	–
Tax compliance services	**223**	305	42	–
Total remuneration for other assurance services	**988**	864	425	96
Total remuneration for assurance services	**1,698**	1,477	572	199
(b) Other Services				
PricewaterhouseCoopers				
Taxation advisory services	**1,429**	1,097	617	–
Total other services	**1,429**	1,097	617	–

The Group employs PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Group are important and auditor independence is not impaired. These assignments are principally tax advice and due diligence reporting on acquisitions. In all other cases other external advisers are used.

8. INCOME TAX EXPENSE

	CONSOLIDATED 2006 $000	CONSOLIDATED 2005 $000	PARENT 2006 $000	PARENT 2005 $000
(a) Income Tax Expense				
Current tax	**22,880**	31,414	–	–
Deferred tax	**10,218**	5,956	–	–
Under/(over) provided in prior years	**(508)**	708	–	–
Income tax expense	**32,590**	38,078	–	–
Deferred income tax/(revenue) expense included in income tax expense comprises:				
(Increase)/decrease in deferred tax assets (note 24)	**(5,744)**	87	–	–
Increase in deferred tax liabilities (note 25)	**15,962**	5,869	–	–
	10,218	5,956	–	–
(b) Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable				
Profit from continuing operations before income tax expense	**152,338**	145,603	71,871	106,893
Tax at the New Zealand tax rate of 33% (2005: 33%)	**50,272**	48,049	23,717	35,275
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
Inter-company eliminations	**–**	–	11,147	8,631
Acquisition of SKYCITY Darwin Holdings Pty Limited	**–**	(1,476)	–	–
Expenditure not deductible for tax	**2,034**	1,252	199	138
Share of net profit of associates	**(1,424)**	(9)	–	–
Additional depreciable value	**–**	(203)	–	–
Foreign exchange rate differences	**(8,781)**	(440)	–	–
Non-taxable income	**(58)**	(1,128)	–	–
Tax effect of imputation credits on taxable dividends	**–**	(1,503)	–	–
Exempt dividends received	**–**	–	(35,063)	(44,044)
Share of partnership expenditure	**(3,639)**	(3,595)	–	–
Other	**(754)**	–	–	–
	37,650	40,947	–	–
Difference in overseas tax rates	**(4,651)**	(3,577)	–	–
(Over)/under provision in prior years	**(409)**	708	–	–
	(5,060)	(2,869)	–	–
Income tax expense	**32,590**	38,078	–	–

The weighted average applicable tax rate was 21.4% (2005: 26.2%). The decrease in tax rate from 2005 to 2006 was primarily due to movements in the New Zealand dollar against the Australian dollar which resulted in tax deductible items but no associated profit before tax impact.

9. EARNINGS PER SHARE

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
Earnings per share for profit attributable to the shareholders of the company				
Basic earnings per share (cents)	**28.5**	25.5	17.1	25.6
Diluted earnings per share (cents)	**26.9**	25.2	16.1	25.3
(a) Reconciliations of Earnings used in Calculating Earnings Per Share				
Basic earnings per share				
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**120,129**	106,414	71,871	106,893
Diluted earnings per share				
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	**120,129**	106,414	71,871	106,893
Interest savings on capital notes	**9,892**	13,196	9,892	13,196
Interest savings on SKYCITY ACES	**6,379**	–	–	–
Tax on the above	**(5,369)**	(4,355)	(3,264)	(4,355)
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**131,031**	115,255	78,499	115,734

(b) Weighted Average Number of Shares used as the Denominator

	2006 NUMBER	2005 NUMBER
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**421,218,240**	417,436,317
Adjustments for calculation of diluted earnings per share:		
SKYCITY ACES	**33,942,891**	–
Options/share rights	**9,207,463**	12,445,344
Capital notes	**22,937,474**	27,122,768
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	**487,306,068**	457,004,429

(c) Information Concerning the Classification of Securities

(i) SKYCITY ACES

SKYCITY ACES are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share from their date of issue. The SKYCITY ACES have not been included in the determination of basic earnings per share. Details relating to the SKYCITY ACES are set out in note 23.

(ii) Options/Share Rights

Options and rights granted to employees under the SKYCITY Executive Share Option and Rights Plans are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options and rights have not been included in the determination of basic earnings per share. Details relating to the options and rights are set out in note 32.

(iii) Capital Notes

Capital notes are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share from their date of issue. The notes have not been included in the determination of basic earnings per share. Details relating to the notes are set out in note 22.

10. RECEIVABLES AND PREPAYMENTS

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
Trade receivables	**6,330**	5,801	–	–
Advance to Christchurch Hotels Limited	**16,422**	16,584	–	–
Sundry receivables	**5,933**	10,889	92	2,662
Prepayments	**2,118**	2,609	170	156
Interest receivable	**–**	1,275	–	106
Amounts due from subsidiaries	**–**	–	33,904	–
	30,803	37,158	34,166	2,924

11. DERIVATIVE FINANCIAL INSTRUMENTS

	FAIR VALUE		NOTIONAL PRINCIPAL	
	2006 $000	2005 $000	2006 $000	2005 $000
Current Assets				
Interest rate swaps – cash flow hedges	**1,477**	–	120,000	–
Total current derivative financial instrument assets	**1,477**	–	120,000	–
Non-current Assets				
Interest rate swaps – cash flow hedges	**2,089**	–	313,236	–
Cross-currency interest rate swaps – cash flow hedges	**33,071**	–	365,028	–
Cross-currency interest rate swaps – fair value hedges	**1,895**	–	21,592	–
Total non-current derivative financial instrument assets	**37,055**	–	699,856	–
Current Liabilities				
Forward foreign currency contracts	**25**	–	12,195	–
Total current derivative financial instrument liabilities	**25**	–	12,195	–
Non-current Liabilities				
Interest rate swaps – cash flow hedges	**3,072**	–	264,958	–
Total non-current derivative financial instrument liabilities	**3,072**	–	264,958	–

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 the financial instruments being utilised at balance date are outlined on the following page.

11. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Currency Risk

Currency risk arises from movements in foreign exchange rates and can impact cash flows.

Payments to overseas suppliers are made using the currency conversion rate 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 forward foreign exchange contracts to manage the exposure to fluctuations in currency rates. There were no forward foreign exchange contracts hedging expenditure commitments as at 30 June 2006 (2005: nil).

The currency risk and interest rate risk in foreign currencies relates to funding facilities and Australian investments. To manage these, the Group utilises cross-currency interest rate swaps, forward foreign exchange contracts and interest rate swap contracts within parameters set out in the Group treasury policy.

Credit Risk

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

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 forward foreign exchange contracts. The maximum credit risk at 30 June 2006 is the fair value of the financial asset/liability. The Group and parent company'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. Concentration of credit exposure is managed within a Group policy approved by the directors.

Interest Rate Risk

To ensure 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 30% to 70% must re-price within one to five years, 30% to 70% in five to ten years and 0% to 20% in ten to fifteen years. The Group uses interest rate and cross-currency interest rate swaps to manage its interest rate risk. The interest on debt is either converted from fixed to floating or floating to fixed through entering into interest rate swaps or cross-currency interest rate swap agreements.

Gains and losses on derivatives which are part of an effective cash flow hedging relationship are recognised in the cash flow hedge reserve. The balance in the reserve is expected to be released to the Income Statement over the maturity profile of the underlying debt as detailed in note 21.

Refer to note 21 for the Group's exposure to interest rate risk.

Transition to NZ IAS 32 and NZ IAS 39

SKYCITY has elected to take up the exemption available under NZ IFRS 1 to apply NZ IAS 32 and NZ IAS 39 from 1 July 2005. Previous NZ GAAP has been applied in the comparative information on financial instruments within the scope of NZ IAS 32 and NZ IAS 39. Therefore the following derivatives are not recognised on the balance sheet in the comparatives. The notional principal amounts outstanding at 30 June 2005 were $887,500,000 (fair value negative $8,764,032) interest rate swaps, $248,200,000 (fair value positive $9,087,056) cross-currency interest rate swaps, and $81,900,000 (fair value positive $1,614,355) forward foreign exchange contracts.

At the date of transition to these standards of 1 July 2005, an adjustment of a $4,073,000 decrease in net assets was recognised. There was no impact on the parent entity.

12. ASSETS CLASSIFIED AS HELD FOR SALE

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
SKYCITY Metro Centre	**52,400**	–	–	–

During the year, SKYCITY announced its intention to sell the SKYCITY Metro Centre in Auckland. This building was previously classified as an investment property.

13. PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED	LAND $000	BUILDINGS $000	PLANT AND EQUIPMENT $000	FIXTURES AND FITTINGS $000	MOTOR VEHICLES $000	CAPITAL WORK IN PROGRESS $000	TOTAL $000
At 30 June 2004							
Cost	152,190	412,947	201,787	58,936	358	128,680	954,898
Accumulated depreciation	–	(66,945)	(115,719)	(37,800)	(304)	–	(220,768)
Net book value	152,190	346,002	86,068	21,136	54	128,680	734,130
Movements in the year ended 30 June 2005							
Opening net book value	152,190	346,002	86,068	21,136	54	128,680	734,130
Exchange differences	–	(15)	(49)	–	–	(16)	(80)
Additions	10,956	202,288	26,381	24,090	483	–	264,198
Transfers	–	–	–	–	–	(30,102)	(30,102)
Depreciation charge	–	(12,969)	(30,796)	(6,171)	(175)	(68)	(50,179)
Closing net book value	163,146	535,306	81,604	39,055	362	98,494	917,967
At 30 June 2005							
Cost	163,146	627,829	225,981	82,044	811	98,494	1,198,305
Accumulated depreciation	–	(92,523)	(144,377)	(42,989)	(449)	–	(280,338)
Net book value	163,146	535,306	81,604	39,055	362	98,494	917,967
Movements in the year ended 30 June 2006							
Opening net book value	163,146	535,306	81,604	39,055	362	98,494	917,967
Exchange differences	1,564	12,027	2,705	457	40	3,216	20,009
Additions	25,554	43,847	49,690	5,791	318	–	125,200
Depreciation charge	–	(18,081)	(33,889)	(6,534)	(275)	(57)	(58,836)
Transfers	–	–	–	–	–	(69,217)	(69,217)
Closing net book value	190,264	573,099	100,110	38,769	445	32,436	935,123
At 30 June 2006							
Cost	190,264	685,812	279,694	88,823	1,207	32,436	1,278,236
Accumulated depreciation	–	(112,713)	(179,584)	(50,054)	(762)	–	(343,113)
Net book value	190,264	573,099	100,110	38,769	445	32,436	935,123

13. PROPERTY, PLANT AND EQUIPMENT (continued)

PARENT	PLANT AND EQUIPMENT $000	FIXTURES AND FITTINGS $000	CAPITAL WORK IN PROGRESS $000	TOTAL $000
At 30 June 2004				
Cost	232	243	–	475
Accumulated depreciation	(107)	(123)	–	(230)
Net book value	125	120	–	245
Movements in the year ended 30 June 2005				
Opening net book value	125	120	–	245
Additions	124	–	512	636
Disposals	–	(79)	–	(79)
Depreciation charge	(13)	(1)	–	(14)
Closing net book value	236	40	512	788
At 30 June 2005				
Cost	432	88	512	1,032
Accumulated depreciation	(196)	(48)	–	(244)
Net book value	236	40	512	788
Movements in the year ended 30 June 2006				
Opening net book value	236	40	512	788
Additions	449	44	811	1,304
Depreciation charge	(131)	–	–	(131)
Closing net book value	554	84	1,323	1,961
At 30 June 2006				
Cost	853	135	1,323	2,311
Accumulated depreciation	(299)	(51)	–	(350)
Net book value	554	84	1,323	1,961

Borrowing costs in relation to the funding of car park building purchases (2005: the SKYCITY Grand Hotel, SKYCITY Auckland Convention Centre, the gaming expansion and car park building purchases) have been capitalised to these projects, $1,223,659 (2005: $5,780,011). Total capitalised interest and facility fees included in the cost of land and buildings at 30 June 2006 is $46,762,288 (2005: $45,538,629). Interest is capitalised based on the interest rate on the syndicated bank facility.

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

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

The Hamilton site is subject to the normal rights that the Crown reserves in respect of minerals and mining in relation to the sub-soil areas. 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. 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.

14. INVESTMENT PROPERTIES

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
At fair value				
Balance at the beginning of the year	**52,500**	51,900	–	–
Acquisitions	**8,593**	–	–	–
Capitalised subsequent expenditure	**66**	28	–	–
Net (loss)/gain from fair value adjustment	**(166)**	572	–	–
Transfer to assets held for sale	**(52,400)**	–	–	–
Balance at the end of the year	**8,593**	52,500	–	–
Rental income	**4,663**	4,761	–	–
Direct operating expenses from property that generated rental income	**953**	880	–	–

The SKYCITY Metro Centre in Auckland was originally classified under NZ IFRS as an investment property. Investment properties are not depreciated and are required to be fair valued each year. The SKYCITY Metro Centre was valued with effective dates of 1 July 2004, 30 June 2005 and 30 June 2006 by DTZ New Zealand Limited, which employs registered valuers and members of the New Zealand Property Institute. The basis of valuation is fair value being the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

SKYCITY has announced its intention to sell the SKYCITY Metro Centre and this building has been transferred to assets held for sale.

On 29 June 2006, the Group purchased 97-101 Hobson Street in Auckland for $8,593,000 (including costs). This amount was determined to be the fair value as at 30 June 2006.

15. INTANGIBLE ASSETS

CONSOLIDATED	GOODWILL $000	CASINO LICENCES $000	COMPUTER SOFTWARE $000	RIGHTS AND CONCESSIONS $000	TOTAL $000
At 30 June 2004					
Cost	24,555	195,519	16,906	2,250	239,230
Accumulated depreciation	–	(9,514)	(12,478)	(437)	(22,429)
Net book amount	24,555	186,005	4,428	1,813	216,801
Movements in the year ended 30 June 2005					
Opening net book amount	24,555	186,005	4,428	1,813	216,801
Exchange differences	–	(1,245)	–	–	(1,245)
Additions	–	–	4,097	–	4,097
Acquisition of subsidiary	129,100	38,580	–	–	167,680
Amortisation charge	–	(5,467)	(3,037)	(100)	(8,604)
Transfer following 100% purchase of SKYCITY Hamilton	–	–	–	(1,713)	(1,713)
Closing net book amount	153,655	217,873	5,488	–	377,016
At 30 June 2005					
Cost	153,655	232,610	21,008	–	407,273
Accumulated amortisation	–	(14,737)	(15,520)	–	(30,257)
Net book amount	153,655	217,873	5,488	–	377,016
Movements in the year ended 30 June 2006					
Opening net book amount	153,655	217,873	5,488	–	377,016
Exchange differences	12,180	25,326	189	–	37,695
Additions	2,608	44	14,828	–	17,480
Amortisation charge	–	(2,341)	(3,839)	–	(6,180)
Closing net book amount	168,443	240,902	16,666	–	426,011
At 30 June 2006					
Cost	168,443	259,926	38,043	–	466,412
Accumulated amortisation	–	(19,024)	(21,377)	–	(40,401)
Net book amount	168,443	240,902	16,666	–	426,011

15. INTANGIBLE ASSETS (continued)

PARENT	COMPUTER SOFTWARE $000	TOTAL $000
Year ended 30 June 2006		
Opening net book amount	–	–
Additions	173	173
Amortisation charge	(26)	(26)
Closing net book amount	147	147
At 30 June 2006		
Cost	173	173
Accumulated amortisation	(26)	(26)
Net book amount	147	147

(a) Impairment Tests for Intangibles with Indefinite Lives

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

	REST OF NEW ZEALAND $000	SKYCITY DARWIN $000	TOTAL $000
2006			
Goodwill	52,919	115,524	168,443
Casino Licence	–	38,798	38,798
	52,919	154,322	207,241
2005			
Goodwill	50,311	103,344	153,655
	50,311	103,344	153,655

The Group has reviewed the expected ongoing conditions associated with the SKYCITY Darwin casino licence and has determined that the licence should be accounted for as having an indefinite life with effect from 1 July 2005.

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

(b) Key Assumptions used for Value in Use Calculations

	GROSS MARGIN		GROWTH RATE		DISCOUNT RATE	
CASH GENERATING UNITS	**2006 %**	2005 %	**2006 %**	2005 %	**2006 %**	2005 %
Rest of New Zealand	**49.4**	52.9	**3.0**	3.0	**8.6**	8.7
SKYCITY Darwin	**47.4**	47.5	**3.0**	3.0	**8.6**	8.7

16. AVAILABLE FOR SALE FINANCIAL ASSETS

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
Balance at the beginning of the year	**–**	–	–	–
Adjustment on adoption of NZ IAS 32 and NZ IAS 39	**2,578**	–	–	–
Exchange differences	**113**	–	–	–
Revaluation surplus transfer to equity	**(69)**	–	–	–
Balance at the end of the year	**2,622**	–	–	–
Listed equity securities	**1,600**	–	–	–
Unlisted equity securities	**1,022**	–	–	–
	2,622	–	–	–

Transition to NZ IAS 32 and NZ IAS 39

The Group has taken the exemption available under NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* to apply NZ IAS 32 *Financial Instruments: Disclosure and Presentation* and NZ IAS 39 *Financial Instruments: Recognition and Measurement* from 1 July 2005. At the date of transition to these standards the Group reclassified the investments in Christchurch Hotels Limited and International All Sports Limited previously recognised as other investments.

17. INVESTMENTS IN ASSOCIATES

(a) Carrying Amounts

Information relating to associates is set out below.

NAME OF COMPANY	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST		CONSOLIDATED		PARENT	
		2006 %	2005 %	**2006 $000**	2005 $000	2006 $000	2005 $000
Unlisted							
Vista Entertainment Solutions Limited	Ticket software systems	**25**	25	**254**	281	–	–
Christchurch Casinos Limited	Casino operator	**41**	41	**78,050**	–	–	–
Village Cinemas SA Argentina	Cinemas	**–**	25	**–**	–	–	–
				78,304	281	–	–

Vista Entertainment Solutions Limited is incorporated in New Zealand and 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.

Christchurch Casinos Limited is incorporated in New Zealand and has a 31 March balance date. The directors are not aware of any significant events or transactions since Christchurch Casinos Limited's balance date.

17. INVESTMENTS IN ASSOCIATES (continued)

	2006 $000	2005 $000
(b) Movements in Carrying Amounts		
Balance at the beginning of the year	**281**	255
Share of profits after income tax	**4,316**	26
Christchurch Casinos Limited*	**76,784**	–
Dividends received/receivable	**(3,077)**	–
Carrying amount at the end of the year (including goodwill $53,127,000 (2005: $53,127,000))	**78,304**	281

* With effect from 1 July 2005, SKYCITY Entertainment Group Limited has accounted for its investment in Christchurch Casinos Limited as an associate (previously accounted for as an investment).

(c) Summarised Financial Information of Significant Associates

	GROUP'S SHARE OF			
	ASSETS $000	LIABILITIES $000	REVENUES $000	PROFIT $000
Christchurch Casinos Limited	16,774	1,712	19,803	4,316

18. OTHER INVESTMENTS

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
Christchurch Casinos Limited	**–**	76,961	–	–
Christchurch Hotels Limited	**–**	1,022	–	–
International All Sports Limited	**–**	1,556	–	–
	–	79,539	–	–

With effect from 1 July 2005, Christchurch Casinos Limited has been accounted for as an associate.

In accordance with NZ IAS 39, with effect from 1 July 2005 the investments in Christchurch Hotels Limited and International All Sports Limited have been accounted for as available for sale financial assets.

19. PAYABLES

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
Trade payables	**11,995**	24,797	–	105
Accrued expenses	**58,295**	49,079	3,061	1,387
Employee benefits	**30,486**	23,129	–	–
Amounts due to subsidiaries	**–**	–	413,891	285,980
	100,776	97,005	416,952	287,472

20. CURRENT INTEREST-BEARING LIABILITIES

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
Current				
Bank loans	**–**	758	–	–
Subordinated debt – ANZ National Bank Limited	**–**	100,000	–	–
Total current interest-bearing borrowings	**–**	100,758	–	–

In June 2005, SKYCITY Cinemas Fiji Limited had a bank term loan facility of F$908,432 (NZ$758,000) secured by first mortgage over the Fiji multiplex. This facility was repaid and cancelled in August 2005.

In June 2005, SKYCITY Entertainment Group Limited arranged a fully subordinated facility with ANZ National Bank Limited for $100,000,000. This facility was fully repaid in November 2005.

21. NON-CURRENT INTEREST-BEARING LIABILITIES

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
Secured				
Bank loans SKYCITY Leisure Group	**52**	52	–	–
Unsecured				
United States private placement	**640,408**	565,670	–	–
Syndicated bank facility	**314,007**	396,001	–	–
Deferred funding expenses	**(3,563)**	(4,928)	–	–
Total unsecured non-current interest-bearing borrowings	**950,852**	956,743	–	–
Total non-current interest-bearing liabilities	**950,904**	956,795	–	–

SKYCITY Leisure Group

At balance date, Village Rialto Cinemas Limited had a drawndown bank term loan facility of $210,000, SKYCITY share $52,500 (2005: $52,500) secured by registered mortgage debenture over Village Rialto Cinemas Limited; SKYCITY has a 25% interest in Village Rialto Cinemas Limited. Village SKYCITY Cinemas Limited provides a guarantee for 50% of the outstanding facility.

United States Private Placement

During the prior year, SKYCITY approached investors in the US private placement market with the intention of diversifying funding sources and lengthening the borrowing profile of the Group's debt. On 15 March 2005, SKYCITY borrowed NZ$96,571,000, A$74,900,000 and US$274,500,000 with maturities between 2012 and 2020 from private investors (primarily US based) on an unsecured basis.

The US private placement fixed-rate US dollar borrowings have been converted to New Zealand dollar floating-rate borrowings by use of cross-currency interest rate swaps.

Syndicated Bank Facility

At 30 June 2006, SKYCITY had in place a $500,000,000 (2005: $650,000,000) facility on an unsecured, negative pledge basis maturing April 2009. The funding syndicate is comprised of ANZ National Bank Limited, Bank of New Zealand Limited and Commonwealth Bank of Australia, New Zealand Branch. As at 30 June 2006, the undrawn amount was $186,000,000 (2005: $260,000,000).

21. NON-CURRENT INTEREST-BEARING LIABILITIES (continued)

Interest Rate Risk

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

		PRINCIPAL – INTEREST RATE RE-PRICING						
	%	1 YEAR OR LESS $000	1-2 YEARS $000	2-3 YEARS $000	3-4 YEARS $000	4-5 YEARS $000	OVER 5 YEARS $000	TOTAL $000
2006								
Bank	7.25	**42,624**	**–**	**–**	**–**	**–**	**–**	**42,624**
Borrowings	7.65	**(502,098)**	**–**	**–**	**–**	**–**	**(452,369)**	**(954,467)**
Capital notes	8.00	**–**	**–**	**–**	**(123,860)**	**–**	**–**	**(123,860)**
SKYCITY ACES	5.75	**(183,195)**	**–**	**–**	**–**	**–**	**–**	**(183,195)**
IRS/CCIRS*	–	**191,576**	**(51,639)**	**(15,000)**	**(24,426)**	**–**	**(100,511)**	**–**
Re-pricing gap		**(451,093)**	**(51,639)**	**(15,000)**	**(148,286)**	**–**	**(552,880)**	**(1,218,898)**

		PRINCIPAL – INTEREST RATE RE-PRICING						
	%	1 YEAR OR LESS $000	1-2 YEARS $000	2-3 YEARS $000	3-4 YEARS $000	4-5 YEARS $000	OVER 5 YEARS $000	TOTAL $000
2005								
Bank	6.75	35,458	–	–	–	–	–	35,458
Borrowings	7.76	(396,810)	–	–	–	–	(565,670)	(962,480)
Capital notes	8.00	–	–	–	–	(121,687)	–	(121,687)
ANZ National Bank Limited	8.24	(100,000)	–	–	–	–	–	(100,000)
IRS/CCIRS*	–	370,832	(136,397)	(47,794)	(131,863)	(40,000)	(14,778)	–
Re-pricing gap		(90,520)	(136,397)	(47,794)	(131,863)	(161,687)	(580,448)	(1,148,709)

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

For both 2006 and 2005 capital notes are the only interest-bearing debt within the parent entity. The parent entity is not party to any derivatives.

Fair Values

The fair value of interest-bearing liabilities, capital notes and SKYCITY ACES is not materially different from the carrying values.

22. SUBORDINATED DEBT – CAPITAL NOTES

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
Balance at the beginning of the year	**121,688**	150,000	121,688	150,000
Matured during the year	**–**	(150,000)	–	(150,000)
Reissued during the year	**2,172**	121,688	2,172	121,688
Balance at the end of the year	**123,860**	121,688	123,860	121,688
Deferred expenses at cost	**178**	356	178	356
Accumulated amortisation	**(38)**	(178)	(38)	(178)
Balance at the end of the year	**140**	178	140	178
Net capital notes at the end of the year	**123,720**	121,510	123,720	121,510

In May 2000, SKYCITY Entertainment Group Limited issued 150 million unsecured subordinated capital notes at an issue price of $1.00 per note.

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 as to interest rate, interest dates, new election date, and other modifications to the existing conditions) that will apply to the capital notes from the election date. Holders may then choose either to retain some or all of their capital notes on the new terms, and/or to convert some or all of their capital notes into SKYCITY 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 dates.

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.

On 16 May 2005, the capital notes were reissued for a new term of five years to 15 May 2010. The notes were reissued on the same terms and conditions except for the new coupon interest rate of 8.0% (previously 9.25%).

Of the 150,000,000 capital notes, the holders of 103,859,750 notes elected to retain capital notes for a further five-year term. The remaining 46,140,250 notes were repurchased by SKYCITY Entertainment Group Limited to be held as treasury stock. On 27 June 2005, 17,828,000 of the notes held as treasury stock were sold into the market. On 6 July 2005, a further 2,172,000 notes were sold. As at 30 June 2006, there were 150,000,000 (2005: 150,000,000) capital notes on issue, of which 123,859,750 (2005: 121,687,750) are issued with 26,140,250 (2005: 28,312,250) held as treasury stock by SKYCITY Entertainment Group Limited.

23. SUBORDINATED DEBT – SKYCITY ACES

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
SKYCITY ACES	**183,195**	–	–	–
Deferred expenses	**(5,239)**	–	–	–
	177,956	–	–	–

In October 2005, SKYCITY Investments Australia Limited issued in Australia 1.5 million unsecured subordinated perpetual reset exchangeable securities (SKYCITY ACES) at an issue price of A$100.00 per note. The SKYCITY ACES offer holders a fully franked variable rate coupon until the first reset date of 15 December 2010. The coupon is reset quarterly at the Australian 90 day bank bill rate plus 2.25%, net of the Australian corporate tax rate (30%) with franking credits attached.

On any reset date (the first being 15 December 2010 and every five years thereafter), the issuer may elect to exchange or redeem the SKYCITY ACES or change the coupon rate and certain other terms. The holder can request exchange of the SKYCITY ACES at any reset date. If the holder requests exchange, the issuer may elect to exchange for ordinary shares or redeem or repurchase for cash.

Coupons are payable unless the directors of the issuer determine that a coupon not be paid. If a coupon is not paid for this reason, the holder has no right to receive that coupon, as coupons are non-cumulative. However, if a coupon is not paid, SKYCITY Entertainment Group Limited will be prohibited from paying dividends on its ordinary shares until certain conditions are satisfied.

The SKYCITY ACES do not carry voting rights and holders are not entitled to any distributions made by SKYCITY Entertainment Group Limited in respect of its ordinary shares prior to exchange. There is a minimum exchange ratio so a SKYCITY ACES holder participates in any increase in the SKYCITY Entertainment Group Limited ordinary share price above A$7.40.

24. DEFERRED TAX ASSETS

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Provision and accruals	**14,096**	3,928	–	–
Fixed assets	**26**	–	–	–
Foreign exchange differences	**(4,322)**	898	–	–
Tax losses	**6,510**	8,849	–	–
Other	**1,889**	–	–	–
	18,199	13,675	–	–
Amounts recognised directly in equity				
Cash flow hedges	**8,468**	–	–	–
Deferred tax assets	**26,667**	13,675	–	–
Movements				
Balance at the beginning of the year	**13,675**	14,645	–	–
Under-provided in prior years	**–**	392	–	–
Credited/(charged) to the income statement (note 8)	**5,744**	(87)	–	–
Credited to equity	**8,468**	–	–	–
Acquisition of subsidiary	**–**	1,451	–	–
Transfer to deferred tax liability	**–**	(2,709)	–	–
Foreign exchange differences	**(1,220)**	(17)	–	–
Balance at the end of the year	**26,667**	13,675	–	–
Expected settlement				
Within 12 months	**4,237**	4,526	–	–
In excess of 12 months	**22,430**	9,149	–	–
	26,667	13,675	–	–

25. DEFERRED TAX LIABILITIES

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Provisions and prepayments	**2,314**	(2,804)	–	–
Depreciation	**54,818**	48,141	–	–
Foreign exchange	**4,869**	101	–	–
	62,001	45,438	–	–
Amounts recognised directly in equity				
Cash flow hedges	**(1,405)**	–	–	–
Deferred tax liabilities	**60,596**	45,438	–	–
Movements				
Balance at the beginning of the year	**45,438**	26,051	–	–
Under-provided in prior years	**–**	1,100	–	–
Charged to the income statement (note 8)	**15,962**	5,869	–	–
Credited to equity	**(1,405)**	–	–	–
Acquisition of subsidiary	**–**	15,103	–	–
Transfer to deferred tax asset	**–**	(2,709)	–	–
Foreign exchange differences	**601**	24	–	–
Balance at the end of the year	**60,596**	45,438	–	–
Expected settlement				
Within 12 months	**2,891**	15,159	–	–
In excess of 12 months	**57,705**	30,279	–	–
	60,596	45,438	–	–

26. IMPUTATION CREDITS

	2006 $000	2005 $000
Imputation credit account		
Balance at the beginning of the year	**(17,325)**	9,636
Tax payments, net of refunds	**36,499**	18,716
Credits attached to dividends/distributions paid	**(21,837)**	(45,677)
Balance at the end of the year	**(2,663)**	(17,325)

As required by relevant tax legislation, the imputation credit account had a credit balance as at 31 March 2006. The current debit balance is a result of imputation credits attached to the interim distribution paid in April 2006.

27. SHARE CAPITAL

	2006 SHARES	2005 SHARES	2006 $000	2005 $000
Opening balance of ordinary shares issued	**417,613,974**	416,401,490	**226,726**	226,251
Shares issued under dividend reinvestment plan	**1,353,016**	1,212,484	**6,431**	6,106
Shares issued under profit distribution plan	**10,320,187**	–	**50,450**	–
Exercise of share rights/options	**2,785,202**	2,092,466	**10,009**	4,685
Issue of share options	**–**	–	**874**	569
Shares issued under employee bonus scheme	**479,704**	695,483	**2,139**	2,869
Shares repurchased and cancelled	**(3,264,906)**	(2,787,949)	**(14,894)**	(13,754)
Closing balance of ordinary shares issued	**429,287,177**	417,613,974	**281,735**	226,726

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

Repurchase and cancellation of shares

On 22 August 2005, SKYCITY Entertainment Group Limited announced that it would commence an on-market share buyback programme of the company's shares from 29 August 2005 to 28 August 2006. Summary details are set out below.

DATE	SHARES REPURCHASED	AVERAGE PURCHASE PRICE
August 2005	10,000	4.74
September 2005	10,000	4.80
October 2005	135,506	4.54
November 2005	960,130	4.63
Total shares purchased	1,115,636	4.62

28. RESERVES AND RETAINED PROFITS

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
(a) Reserves				
Available for sale investments revaluation reserve	**(69)**	–	–	–
Hedging reserve – cash flow hedges	**(26,173)**	–	–	–
Foreign currency translation reserve	**13,123**	(8,429)	–	–
Employee share entitlement reserve	**4,948**	3,270	4,948	3,270
	(8,171)	(5,159)	4,948	3,270
Available for sale investments revaluation reserve				
Movements:				
Balance at the beginning of the year	**–**	–	–	–
Revaluations	**(69)**	–	–	–
Balance at the end of the year	**(69)**	–	–	–
Hedging reserve – cash flow hedges				
Movements:				
Balance at the beginning of the year	**–**	–	–	–
Adjustment on adoption of NZ IAS 32 and NZ IAS 39 (note 11)	**(4,012)**	–	–	–
Revaluation	**24,048**	–	–	–
Transfer to net profit	**(56,082)**	–	–	–
Deferred tax	**9,873**	–	–	–
Balance at the end of the year	**(26,173)**	–	–	–
Foreign currency translation reserve				
Movements:				
Balance at the beginning of the year	**(8,429)**	–	–	–
Exchange difference on translation of overseas subsidiaries	**29,953**	(8,429)	–	–
Effect of hedging the net investment of overseas subsidiaries	**(8,401)**	–	–	–
Balance at the end of the year	**13,123**	(8,429)	–	–
Employee share entitlement reserve				
Movements:				
Balance at the beginning of the year	**3,270**	5,360	3,270	5,360
Less value of shares issued during the year	**(2,139)**	(2,869)	(2,139)	(2,869)
Less cash issued in lieu shares	**–**	(9)	–	(9)
Plus value of share entitlements for the year	**3,817**	788	3,817	788
Balance at the end of the year	**4,948**	3,270	4,948	3,270

28. RESERVES AND RETAINED PROFITS (continued)

(i) Available for sale investments revaluation reserve

Changes in the fair value of investments, such as equities, classified as available for sale financial assets, are taken to the available for sale investments revaluation reserve, as described in note 2(l). Amounts are recognised in profit and loss when the associated assets are sold or impaired.

(ii) Hedging reserve – cash flow hedges

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

(iii) Foreign currency translation reserve

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

(iv) Employee share entitlement reserve

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 2001 through 30 June 2006. 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 2004 through 30 June 2006.

PPI shares 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 the 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 SKYCITY Entertainment Group Limited's annual result.

(b) Retained Profits

Movements in retained profits were as follows:

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
Balance at the beginning of the year	**13,355**	21,599	(36,313)	(28,548)
Net profit for the year	**120,129**	106,414	71,871	106,893
Distributions/dividends	**(100,667)**	(114,658)	(100,667)	(114,658)
Adjustment on adoption of NZ IAS 39	**(61)**	–	–	–
Amalgamations accounted for at cost	**–**	–	(1,021)	–
Balance at the end of the year	**32,756**	13,355	(66,130)	(36,313)

29. MINORITY INTEREST

	CONSOLIDATED	
	2006 $000	2005 $000
Balance at the beginning of the year	**2,844**	3,516
Share of surpluses in subsidiaries	**(381)**	1,111
Increased shareholding in SKYCITY Hamilton Limited and SKYCITY Leisure Limited	**–**	(1,783)
Balance at the end of the year	**2,463**	2,844

The minority interest relates to the 40% of Queenstown Casinos Limited which is not owned by SKYCITY Entertainment Group Limited.

30. DISTRIBUTIONS/DIVIDENDS

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
Prior year's final distribution/dividend	**50,217**	64,528	50,217	64,528
Interim distribution/dividend	**50,450**	50,130	50,450	50,130
Total distribution/dividend	**100,667**	114,658	100,667	114,658

On 21 February 2006, the directors resolved to make a pro rata issue of bonus shares representing a distribution of 12 cents per share, in respect of the six month period ended 31 December 2005. The bonus shares were issued to all shareholders on the company's register at the close of business on 10 March 2006. The number of bonus shares issued was calculated as 12 cents per share divided by the strike price. The strike price was set as the weighted average price of shares traded on the NZSX during the five days from 13 to 17 March inclusive, less a 2.5% discount. Shareholders were able to elect to have the company buy back some or all of their bonus shares on the day of issue at the strike price. The proceeds received by the shareholder as a result of having elected to sell some or all of their bonus shares were fully imputed by the company. The bonus shares were issued and buyback proceeds paid to shareholders on 7 April 2006.

On 21 August 2006, the directors resolved to make a pro rata issue of bonus shares in respect of the year ended 30 June 2006, (refer to note 40 for further details).

31. SEGMENT INFORMATION

(a) Description of Segments

Geographic segments

The Group is organised on a global basis into the following main geographic areas:

SKYCITY Auckland

SKYCITY Auckland includes casino operations, hotels, food and beverage, convention centre, car parking and Sky Tower.

Rest of New Zealand

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

SKYCITY Adelaide

SKYCITY Adelaide includes casino operations and food and beverage.

SKYCITY Darwin

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

31. SEGMENT INFORMATION (continued)

Business segments

Although the Group is managed on a geographical basis, it operates in the following business segments:

Gaming machines

A gaming machine is a device that does not involve a human dealer and is totally or partly mechanically or electronically operated and designed for use in casino gambling.

Table games

Table games are all other methods of gaming, other than gaming machines.

Other

Other includes hotels, cinemas, food and beverage, convention centre, car parking, property rentals and Sky Tower.

(b) Primary Reporting Format – Geographic Segments

	SKYCITY AUCKLAND $000	REST OF NEW ZEALAND $000	SKYCITY ADELAIDE $000	SKYCITY DARWIN $000	TOTAL $000
2006					
Revenue from external customers	427,460	78,422	146,889	99,598	752,369
Shares of net profits of associates	–	4,316	–	–	4,316
Other revenue/income	5,795	1,279	295	522	7,891
Total segment revenue/income	433,255	84,017	147,184	100,120	764,576
Segment result	160,353	24,262	19,643	32,045	236,303
Finance costs					(83,965)
Profit before income tax					152,338
Income tax expense					(32,590)
Minority interest					381
Net profit for the year					120,129
Segment assets	847,661	294,654	272,195	311,322	1,725,832
Segment liabilities	1,320,891	43,440	20,184	32,534	1,417,049
Investments in associates	–	78,304	–	–	78,304
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	100,010	20,372	41,154	11,676	173,212
Depreciation and amortisation expense	40,174	7,504	11,045	6,293	65,016

31. SEGMENT INFORMATION (continued)

	SKYCITY AUCKLAND $000	REST OF NEW ZEALAND $000	SKYCITY ADELAIDE $000	SKYCITY DARWIN $000	TOTAL $000
2005					
Revenue from external customers	396,054	75,394	116,391	82,089	669,928
Shares of net profits of associates	–	26	–	–	26
Other revenue	4,275	8,079	280	421	13,055
Total segment revenue/income	400,329	83,499	116,671	82,510	683,009
Segment result	163,498	27,523	9,523	24,772	225,316
Finance costs					(79,713)
Profit before income tax					145,603
Income tax expense					(38,078)
Minority interest					(1,111)
Net profit for the year					106,414
Segment assets	736,717	284,096	258,154	280,305	1,559,272
Segment liabilities	1,235,486	42,936	20,215	25,578	1,324,215
Investments in associates	–	281	–	–	281
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	98,841	63,889	26,748	234,266	423,744
Depreciation and amortisation expense	35,422	6,051	9,645	7,665	58,783

(c) Secondary Reporting Format – Business Segments

	SEGMENT REVENUES FROM EXTERNAL CUSTOMERS		SEGMENT ASSETS		ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT, INTANGIBLES AND OTHER NON-CURRENT SEGMENT ASSETS	
	2006 $000	2005 $000	**2006 $000**	2005 $000	**2006 $000**	2005 $000
Gaming machines	**345,865**	321,126	**36,225**	40,628	**26,446**	13,955
Table games	**232,526**	203,686	**3,999**	5,041	**1,972**	2,976
Other	**173,978**	145,116	**1,685,608**	1,513,603	**144,794**	406,813
	752,369	669,928	**1,725,832**	1,559,272	**173,212**	423,744

Inter-segment transactions

Segment revenues, expenses and results include transactions between segments. Such transactions are accounted for in accordance with the Group's internal transfer pricing policies and are eliminated on consolidation.

32. SHARE-BASED PAYMENTS

Executive Share Option Plan 1999

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 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.

Executive Share Option Plan 2002

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 exercisable 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 distributions/dividends between the issue date and the exercise date of the options.

As a result of one-for-one share splits on 16 November 2001 and 14 November 2003, the 2000 and 2001 options convert to four shares upon exercise, and the 2002 and 2003 options, with the exception of the 450,000 tranche issued on 9 September 2003, convert to two shares upon exercise.

The 450,000 options issued on 9 September 2003 and the 2004 (and subsequent) options convert to one share upon exercise.

Executive Share Rights Plan 2005

The Executive Share Rights Plan (Rights Plan) was approved by directors in December 2004 and commenced on 1 July 2005 following expiry of the 2002 Executive Share Option Plan. Share rights issued under the Rights Plan are exercisable after the third anniversary of their date of issue provided the terms and conditions of the Plan are met, and lapse if not exercised within five years. As for the 1999 and 2002 option plans the exercise price of the share rights is the base exercise price adjusted for the company's estimated cost of equity and distributions/dividends between the issue date and the exercise date of the rights.

32. SHARE-BASED PAYMENTS (continued)

Movements in the number of share options outstanding under the 1999 and 2002 Executive Share Option Plans and 2005 Executive Share Rights Plan are as follows:

CONSOLIDATED AND PARENT – 2006

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT START OF THE YEAR NUMBER	GRANTED DURING THE THE YEAR NUMBER	EXERCISED DURING THE THE YEAR NUMBER	EXPIRED DURING THE THE YEAR NUMBER	BALANCE AT END OF THE YEAR NUMBER	EXERCISABLE AT END OF THE YEAR NUMBER
04/09/01	04/09/06	$11.61	**459,000**	**–**	**(309,000)**	**–**	**150,000**	**150,000**
10/09/02	10/09/07	$7.05	**3,238,863**	**–**	**(560,333)**	**–**	**2,678,530**	**2,678,530**
09/09/03	09/09/08	$8.83	**865,667**	**–**	**(133,334)**	**(115,333)**	**617,000**	**–**
09/09/03	09/09/08	$4.42	**450,000**	**–**	**–**	**–**	**450,000**	**–**
08/09/04	08/09/09	$4.44	**1,824,500**	**–**	**(149,333)**	**(344,000)**	**1,331,167**	**–**
05/09/05	05/09/10	$4.81	**–**	**1,585,000**	**–**	**(119,000)**	**1,466,000**	**–**
Total			**6,838,030**	**1,585,000**	**(1,152,000)**	**(578,333)**	**6,692,697**	**2,828,530**
Weighted average exercise price per share			**$4.04**	**$4.81**	**$3.80**	**$4.70**	**$4.39**	**$3.74**

CONSOLIDATED AND PARENT – 2005

GRANT DATE	EXPIRY DATE	BASE EXERCISE PRICE AT DATE OF ISSUE	BALANCE AT START OF THE YEAR NUMBER	GRANTED DURING THE THE YEAR NUMBER	EXERCISED DURING THE THE YEAR NUMBER	EXPIRED DURING THE THE YEAR NUMBER	BALANCE AT END OF THE YEAR NUMBER	EXERCISABLE AT END OF THE YEAR NUMBER
30/08/00	30/08/05	$7.68	348,429	–	(348,429)	–	–	–
04/09/01	04/09/06	$11.61	539,500	–	(80,500)	–	459,000	459,000
10/09/02	10/09/07	$7.05	3,395,530	–	(77,666)	(79,001)	3,238,863	–
09/09/03	09/09/08	$8.83	1,005,000	–	(20,000)	(119,333)	865,667	–
09/09/03	09/09/08	$4.42	–	450,000	–	–	450,000	–
08/09/04	08/09/09	$4.44	–	2,025,500	–	(201,000)	1,824,500	–
Total			5,288,459	2,475,500	(526,595)	(399,334)	6,838,030	459,000
Weighted average exercise price per share			$3.58	$4.44	$2.29	$4.34	$4.04	$3.04

The weighted average exercise price at the date of exercise of options exercised regularly during the year ended 30 June 2006 was $3.80 (2005: $2.29).

The weighted average remaining contractual life of options outstanding at the end of the period was 2.40 years (2005: 2.85 years).

Fair value of share rights granted
The assessed fair value at grant date of share rights granted during the year ended 30 June 2006 was 38 cents per share right (2005: 31 cents per option). The fair value at grant date is prepared by Deloitte Corporate Finance using a binomial option pricing model that takes into account the exercise price, the term of the rights, the vesting criteria, the impact of dilution, the non-tradable nature of the option, the share price at grant date and the volatility of the returns on the underlying share and the risk-free interest rate for the term of the right. The valuation is reviewed by PricewaterhouseCoopers as external auditors.

32. SHARE-BASED PAYMENTS (continued)

The model inputs for share rights granted during the year ended 30 June 2006 (comparative information relates to options issued during the year ended 30 June 2005) included:

- rights are granted for no consideration
- exercise price: $4.81 (2005: $4.44)
- grant date: 5 September 2005 (2005: 8 September 2004)
- expiry date: 5 September 2010 (2005: 8 September 2009)
- share price at grant date: $4.95 (2005: $4.55)
- expected price volatility of the company's shares: 20% (2005: 20%)
- expected dividend yield: 4.6% (2005: 6.1%)
- risk-free interest rate: 5.6% (2005: 6.2%).

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

Non-Executive Director Share Options

Pursuant to the Non-Executive Directors' Share Option Plan (2000), approved by shareholders at the annual meeting of the company on 26 October 2000, 57,892 options (issued in September 2002) remain on issue to non-executive directors as at 30 June 2006 (2005: 62,892).

Options lapse if not exercised within five years of issue. The exercise price of the options issued under the 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.

The Non-Executive Directors' Share Option Plan (2000) expired in 2003 and was not renewed.

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

CONSOLIDATED AND PARENT – 2006

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT START OF THE YEAR NUMBER	GRANTED DURING THE THE YEAR NUMBER	EXERCISED DURING THE THE YEAR NUMBER	EXPIRED DURING THE THE YEAR NUMBER	BALANCE AT END OF THE YEAR NUMBER	EXERCISABLE AT END OF THE YEAR NUMBER
10/09/02	10/09/07	$7.05	**62,892**	–	**(5,000)**	–	**57,892**	**57,982**
Total			**62,892**	–	**(5,000)**	–	**57,892**	**57,982**
Weighted average exercise price per share			**$3.65**		**$3.64**		**$3.78**	**$3.78**

CONSOLIDATED AND PARENT – 2005

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT START OF THE YEAR NUMBER	GRANTED DURING THE THE YEAR NUMBER	EXERCISED DURING THE THE YEAR NUMBER	EXPIRED DURING THE THE YEAR NUMBER	BALANCE AT END OF THE YEAR NUMBER	EXERCISABLE AT END OF THE YEAR NUMBER
04/09/01	04/09/06	$11.61	24,390	–	(24,390)	–	–	–
10/09/02	10/09/07	$7.05	104,821	–	(41,929)	–	62,892	–
Total			129,211	–	(66,319)	–	62,892	–
Weighted average exercise price per share			$3.47		$3.33		$3.65	$3.65

32. SHARE-BASED PAYMENTS (continued)

The weighted average exercise price at the date of exercise of options exercised regularly during the year ended 30 June 2006 was $3.64 (2005: $3.33).

The weighted average remaining contractual life of share options outstanding at the end of the period was 1.20 years (2005: 2.19 years).

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

Performance Pay Incentive Plan (PPI)

Salaried employees are eligible for performance related bonus partially paid in shares. Details of this plan are provided in note 28.

Expenses arising from share-based payment transactions

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

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
Options/rights issued under executive option/rights plans	**684**	569	684	569
Shares issued under employee incentive share plan	**4,007**	1,842	1,733	738
	4,691	2,411	2,417	1,307

33. RELATED PARTY TRANSACTIONS

(a) Key Management and Personnel Compensation

Key management personnel and director compensation for the years ended 30 June 2006 and 2005 is set out below. The key management personnel include the directors of the company and the direct reports to the Managing Director.

	SHORT-TERM BENEFITS $	SHARE-BASED PAYMENTS $	TOTAL $
2006	**5,614,741**	**1,617,072**	**7,231,813**
2005	5,493,272	467,585	5,960,857

Key management personnel exercised options previously granted as part of their compensation.

33. RELATED PARTY TRANSACTIONS (continued)

(b) Other Transactions with Key Management Personnel or Entities related to them

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

Fees in the amount of $82,503 (2005: $2,120,701) were paid to First NZ Capital Group Limited (FNZC) on normal commercial terms for advisory, consulting and other work. W R Trotter, who is a director of SKYCITY Entertainment Group Limited, is executive chairman of FNZC. Mr Trotter declared an interest with respect to FNZC on each occasion when the board considered the engagement of advisory and consulting services with FNZC or when the board discussed or made a decision with respect to any matter that might involve FNZC.

In 2005 the Group borrowed $100,000,000 from the ANZ National Bank Limited. R A McLeod and Sir Dryden Spring are directors of both SKYCITY Entertainment Group Limited and ANZ National Bank Limited. The facility was established on an arm's-length, commercial basis. Neither Sir Dryden nor Mr McLeod participated in the decision to enter into the facility.

The Group purchased voice services, data network services, and mobile network services for $860,279 (2005: $683,033) from Telecom Corporation of New Zealand Limited on an arm's-length, commercial basis. R H McGeoch, R A McLeod and P L Reddy are directors of both SKYCITY Entertainment Group Limited and Telecom Corporation of New Zealand Limited. Neither Messrs McGeoch, McLeod nor Ms Reddy are involved in the negotiation of supply contracts between Telecom and SKYCITY.

(c) Subsidiaries

Interests in subsidiaries are set out in note 35.

34. BUSINESS COMBINATION

Summary of the effect of acquisition of subsidiaries

On 22 July 2004, SKYCITY Australia Pty Limited, a wholly-owned subsidiary of SKYCITY Entertainment Group Limited, acquired 100% of the share capital of SKYCITY Darwin Holdings Pty Limited.

	CONSOLIDATED	
	2006 $000	2005 $000
Net assets acquired – SKYCITY Darwin		
Working capital balances	–	(15,919)
Property, plant and equipment	–	94,050
Casino licence	–	38,580
Goodwill	–	104,803
Consideration paid (including costs and taxes)	–	221,514
Net cash impact of acquisition of subsidiaries		
SKYCITY Darwin	–	221,514
Less deposit paid in 2004 for SKYCITY Darwin	–	(25,377)
SKYCITY Leisure final stepped acquisition	–	7,388
SKYCITY Hamilton Tainui stepped acquisition	–	11,102
SKYCITY Hamilton Perry stepped acquisition	–	33,283
Net cash impact of acquisitions	–	247,910

35. SUBSIDIARIES

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

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

			EQUITY HOLDING	
NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	**2006 %**	2005 %
Abdiel Investments Limited (amalgamated)	New Zealand	Ordinary	**–**	100
Queenstown Casinos Limited	New Zealand	Ordinary	**60**	60
Riverside Fund Limited (amalgamated)	New Zealand	Ordinary	**–**	100
SKYCITY Action Management Limited	New Zealand	Ordinary	**100**	100
SKYCITY Auckland Holdings Limited	New Zealand	Ordinary	**100**	100
SKYCITY Auckland Limited	New Zealand	Ordinary	**100**	100
SKYCITY Casino Management Limited	New Zealand	Ordinary	**100**	100
SKYCITY Cinemas Limited	New Zealand	Ordinary	**100**	100
SKYCITY Hamilton Construction Limited	New Zealand	Ordinary	**100**	100
SKYCITY Hamilton Limited	New Zealand	Ordinary	**100**	100
SKYCITY International Holdings Limited	New Zealand	Ordinary	**100**	100
SKYCITY Investments Auckland Limited (amalgamated)	New Zealand	Ordinary	**–**	100
SKYCITY Investments (Australia) Limited	New Zealand	Ordinary	**100**	–
SKYCITY Investments (Christchurch) Limited	New Zealand	Ordinary	**100**	100
SKYCITY Investments Limited (amalgamated)	New Zealand	Ordinary	**–**	100
SKYCITY Leisure Holdings Limited	New Zealand	Ordinary	**100**	100
SKYCITY Leisure Limited (amalgamated)	New Zealand	Ordinary	**–**	100
SKYCITY Management (Auckland) Limited	New Zealand	Ordinary	**100**	100
SKYCITY Metro Limited	New Zealand	Ordinary	**100**	100
SKYCITY Queenstown Investments Limited	New Zealand	Ordinary	**100**	100
SKYCITY Wellington Limited	New Zealand	Ordinary	**100**	100
Sky Tower Limited	New Zealand	Ordinary	**100**	100
SKYCITY Adelaide Pty Limited	Australia	Ordinary	**100**	100
SKYCITY Australia Finance Pty Limited	Australia	Ordinary	**100**	100
SKYCITY Australia Limited Partnership	Australia	Ordinary	**100**	100
SKYCITY Australia Pty Limited	Australia	Ordinary	**100**	100
SKYCITY Darwin Holdings Pty Limited	Australia	Ordinary	**100**	100
SKYCITY Darwin Pty Limited	Australia	Ordinary	**100**	100
Territory Property Trust	Australia	Ordinary	**100**	100
SKYCITY International ApS	Denmark	Ordinary	**100**	100
SKYCITY Cinemas (Fiji) Limited	Fiji	Ordinary	**100**	100

36. INTERESTS IN JOINT VENTURES

Joint Venture Operation

NAME OF ENTITY	PRINCIPAL ACTIVITIES	INTERESTS HELD BY THE GROUP 2006	2005
Village SKYCITY Cinemas JV	Cinema owner/operator	**50**	50
Village SKYCITY Hoyts Queen St Cinema JV*	Cinema owner/operator	**–**	33
Village Rialto Cinemas JV	Cinema owner/operator	**25**	25
Damodar Village SKYCITY Fiji Cinemas JV	Cinema owner/operator	**33**	33

* Purchased by Village SKYCITY Cinemas JV.

Subsequent to year end, SKYCITY purchased Village Roadshow Limited's interest in the above joint ventures, resulting in the Group's interest in these joint ventures increasing by 100%.

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
Share of partnership's revenue, expenses and results				
Revenues	**31,721**	29,615	–	–
Expenses	**(27,550)**	(25,444)	–	–
Net contribution to Group operating surplus	**4,171**	4,171	–	–
Total share of net assets employed in joint venture	**38,454**	12,047	–	–

37. CONTINGENCIES

The contingent liability previously reported in respect of a guarantee for a loan facility utilised by Village Cinemas SA Argentina, an associate company, has been settled with no cost to SKYCITY. In addition, the option to Village Roadshow Limited to acquire 40% of SKYCITY's interest in Village Cinemas SA Argentina has lapsed. Village Cinemas SA Argentina is no longer an associate of SKYCITY.

38. COMMITMENTS

Capital Commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
Property, plant and equipment	**10,888**	23,563	–	–

Operating Lease Commitments

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

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	**7,335**	11,794	–	2
Later than one year but not later than five years	**26,759**	41,430	–	–
Later than five years	**259,039**	261,849	–	–
	293,133	315,073	–	2

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

	CONSOLIDATED		PARENT	
	2006 $000	2005 $000	2006 $000	2005 $000
Profit for the year	**120,129**	106,414	71,871	106,893
Minority interest	**(381)**	1,111	–	–
Depreciation and amortisation	**65,016**	58,783	131	14
Interest expense	**74,838**	81,035	9,033	13,444
Current period employee share entitlement	**3,818**	788	3,818	788
Current period share options expense	**874**	569	874	569
Unrealised gain on investments	**–**	(1,488)	–	–
Dividend from subsidiary	**–**	–	(106,251)	(130,000)
Fair value adjustment to investment property	**166**	(572)	–	–
Fair value adjustment on financial assets at fair value through profit or loss	**(4,107)**	–	–	–
Subsidiary funding transactions	**–**	–	(97,909)	(424,699)
Share of profits of associates not received as dividends or distributions	**(1,239)**	(26)	–	–
Change in operating assets and liabilities				
Decrease/(increase) in receivables and prepayments	**6,355**	15,986	(31,242)	139,063
Decrease/(increase) in inventories	**141**	(2,391)	–	–
Increase in future income tax benefit	**(10,283)**	(1,739)	–	–
Increase in payables and accruals	**3,771**	4,153	129,480	286,285
Increase in provision for deferred income tax	**22,319**	9,344	–	–
Decrease in provision for income taxes receivable	**(34,533)**	(2,906)	–	–
Capital items included in working capital movements	**3,891**	(9,372)	–	–
Net cash inflow from operating activities	**250,775**	259,689	(20,195)	(7,643)

40. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Business Combination

Subsequent to year end, SKYCITY Entertainment Group Limited acquired all of Village Roadshow Limited's interest in the Village SKYCITY joint ventures for cash consideration of $52,000,000.

Details of net assets acquired and goodwill are as follows:

	$000
Purchase consideration	
Cash paid	52,000
Direct costs relating to the acquisition	250
Total purchase consideration	52,250
Fair value of net identifiable assets acquired	(19,905)
Goodwill	32,345

The financial effects of the above transaction have not been brought to account at 30 June 2006. The operating results and assets and liabilities of the company will be consolidated from 1 July 2006.

Profit Distribution Plan

On 21 August 2006, the directors resolved to make a pro-rata issue of bonus shares in respect of a final distribution of profits of 14 cents per share for the year ended 30 June 2006. The bonus shares will be issued to all shareholders on the company's register at the close of business on Friday, 8 September 2006. The number of bonus shares to be issued is calculated as 14 cents per share divided by the strike price. The strike price will be set as the weighted average price of shares traded on the NZSX during the five days from 11 to 15 September inclusive, less a 2.5% discount. Shareholders will be able to elect to have the company buy back some or all of their bonus shares on the day of issue at the strike price. The proceeds received by shareholders as a result of having elected to sell some or all of their bonus shares will be treated as dividends and will be fully imputed by the company.

The bonus shares will be issued and buyback proceeds paid to shareholders on Friday, 6 October 2006.

41. EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRS

(1) Reconciliation of Equity Reported Under Previous New Zealand Generally Accepted Accounting Principles (NZ GAAP) to Equity Under New Zealand Equivalents to IFRS (NZ IFRS)

(a) At the date of transition to NZ IFRS: 1 July 2004

	CONSOLIDATED			PARENT		
	PREVIOUS NZ GAAP $000	EFFECT OF TRANSITION NZ IFRS $000	NZ IFRS $000	PREVIOUS NZ GAAP $000	EFFECT OF TRANSITION NZ IFRS $000	NZ IFRS $000
ASSETS						
Current assets						
Inventories	3,017	–	3,017	–	–	–
Current tax receivables	9,999	–	9,999	–	–	–
Receivables and prepayments	53,106	–	53,106	141,987	–	141,987
Cash and bank balances	53,272	–	53,272	2	–	2
Total current assets	119,394	–	119,394	141,989	–	141,989
Non-current assets						
Property, plant and equipment	750,267	(16,137)	734,130	245	–	245
Investment properties	–	51,900	51,900	–	–	–
Intangible assets	212,373	4,428	216,801	–	–	–
Deferred tax assets	14,645	–	14,645	–	–	–
Other investments	78,025	–	78,025	–	–	–
Investments in subsidiaries	–	–	–	211,660	–	211,660
Investments in associates	255	–	255	–	–	–
Total non-current assets	1,055,565	40,191	1,095,756	211,905	–	211,905
Total assets	1,174,959	40,191	1,215,150	353,894	–	353,894
LIABILITIES						
Current liabilities						
Interest-bearing liabilities	101,000	–	101,000	–	–	–
Payables	93,619	(767)	92,852	1,891	(704)	1,187
Subordinated debt – capital notes	149,644	–	149,644	149,644	–	149,644
Total current liabilities	344,263	(767)	343,496	151,535	(704)	150,831
Non-current liabilities						
Interest-bearing liabilities	579,967	–	579,967	–	–	–
Deferred tax liabilities	27,216	(1,165)	26,051	–	–	–
Convertible notes	8,910	–	8,910	–	–	–
Total non-current liabilities	616,093	(1,165)	614,928	–	–	–
Total liabilities	960,356	(1,932)	958,424	151,535	(704)	150,831
Net assets	214,603	42,123	256,726	202,359	704	203,063
EQUITY						
Share capital	225,871	380	226,251	225,871	380	226,251
Reserves	(7,510)	12,870	5,360	6,662	(1,302)	5,360
Retained earnings	(7,274)	28,873	21,599	(30,174)	1,626	(28,548)
Shareholders' equity	211,087	42,123	253,210	202,359	704	203,063
Minority interest	3,516	–	3,516	–	–	–
Total equity	214,603	42,123	256,726	202,359	704	203,063

(b) At the end of the last reporting period under previous NZ GAAP: 30 June 2005

	CONSOLIDATED			PARENT		
	PREVIOUS NZ GAAP $000	EFFECT OF TRANSITION NZ IFRS $000	NZ IFRS $000	PREVIOUS NZ GAAP $000	EFFECT OF TRANSITION NZ IFRS $000	NZ IFRS $000
ASSETS						
Current assets						
Inventories	5,382	–	5,382	–	–	–
Receivables and prepayments	37,158	–	37,158	2,924	–	2,924
Cash and bank balances	62,849	–	62,849	3	–	3
Total current assets	105,389	–	105,389	2,927	–	2,927
Non-current assets						
Property, plant and equipment	932,658	(14,691)	917,967	788	–	788
Investment properties	–	52,500	52,500	–	–	–
Intangible assets	357,402	19,614	377,016	–	–	–
Deferred tax assets	13,675	–	13,675	–	–	–
Other financial assets	–	–	–	598,950	–	598,950
Other investments	79,539	–	79,539	–	–	–
Future income tax benefit	12,905	–	12,905	–	–	–
Investments in associates	281	–	281	–	–	–
Total non-current assets	1,396,460	57,423	1,453,883	599,738	–	599,738
Total assets	1,501,849	57,423	1,559,272	602,665	–	602,665
LIABILITIES						
Current liabilities						
Interest-bearing liabilities	100,758	–	100,758	–	–	–
Payables	97,297	(292)	97,005	287,755	(283)	287,472
Total current liabilities	198,055	(292)	197,763	287,755	(283)	287,472
Non-current liabilities						
Interest-bearing liabilities	956,795	–	956,795	–	–	–
Deferred tax liabilities	32,741	12,697	45,438	–	–	–
Subordinated debt – capital notes	121,510	–	121,510	121,510	–	121,510
Total non-current liabilities	1,111,046	12,697	1,123,743	121,510	–	121,510
Total liabilities	1,309,101	12,405	1,321,506	409,265	(283)	408,982
Net assets	192,748	45,018	237,766	193,400	283	193,683
EQUITY						
Share capital	225,777	949	226,726	225,777	949	226,726
Reserves	(17,948)	12,789	(5,159)	4,653	(1,383)	3,270
Retained profits	(17,925)	31,280	13,355	(37,030)	717	(36,313)
Shareholders' equity	189,904	45,018	234,922	193,400	283	193,683
Minority interest	2,844	–	2,844	–	–	–
Total equity	192,748	45,018	237,766	193,400	283	193,683

41. EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRS (continued)

(2) Reconciliation of Profit for the Year Ended 30 June 2005

	CONSOLIDATED			PARENT		
	PREVIOUS NZ GAAP $000	EFFECT OF TRANSITION NZ IFRS $000	NZ IFRS $000	PREVIOUS NZ GAAP $000	EFFECT OF TRANSITION NZ IFRS $000	NZ IFRS $000
Revenue	669,928	–	669,928	–	–	–
Other income	12,483	572	13,055	138,625	–	138,625
Share of net profits of associates	26	–	26	–	–	–
Employee benefits expense	(185,790)	(963)	(186,753)	(10,985)	(909)	(11,894)
Depreciation and amortisation expense	(62,691)	3,908	(58,783)	(14)	–	(14)
Other expenses	(211,179)	–	(211,179)	(5,413)	–	(5,413)
Directors' fees	(978)	–	(978)	(966)	–	(966)
Finance costs	(79,713)	–	(79,713)	(13,445)	–	(13,445)
Profit before income tax	142,086	3,517	145,603	107,802	(909)	106,893
Income tax expense	(36,968)	(1,110)	(38,078)	–	–	–
Profit before minority interest	105,118	2,407	107,525	107,802	(909)	106,893
Profit attributable to minority interest	(1,111)	–	(1,111)	–	–	–
Profit attributable to shareholders of the company	104,007	2,407	106,414	107,802	(909)	106,893

41. EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRS (continued)

(3) Reconciliation of Cash Flow Statement for the Year Ended 30 June 2005

The impact of adopting NZ IFRS on the Cash Flow Statement is to reclassify both interest paid within operating activities and capitalised interest paid within investment activities to financing activities.

(4) Notes to the Reconciliations

(a) Foreign currency translation reserve: cumulative translation differences

The Group has elected to apply the exemption in NZ IFRS 1 *First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards* (NZ IFRS 1). The cumulative translation differences for all foreign operations represented in the foreign currency translation reserve are deemed to be zero at the date of transition to NZ IFRS. The effect is as below.

At 1 July 2004 and 30 June 2005
The balance of the $14,172,000 debit in the foreign currency translation reserve is reduced to zero and retained earnings are decreased by this amount.

There is no effect on the parent entity.

(b) Business combinations

The Group acquired a 100% interest in SKYCITY Darwin with effect from 22 July 2004. NZ IFRS 3 Business Combinations requires all assets and liabilities to be recognised at fair value and deferred tax calculated. The fair values previously reported have not changed under NZ IFRS with the exception of a deferred tax liability recognised with a resulting increase in goodwill of $12,752,000. The quantification of this adjustment to deferred tax is detailed in 41 (4) (i).

There is no effect on the parent entity.

(c) Carrying value of land and other fixed assets

Under NZ IFRS 1 entities are permitted to adjust the carrying value of selected fixed assets to their fair value and use that fair value as deemed cost at the date of transition. SKYCITY has elected to revalue certain land and buildings within its Auckland complex. These assets were valued with an effective date of 1 July 2004 by DTZ New Zealand Limited, registered valuers and members of the New Zealand Property Institute. The basis of valuation is fair value being the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The impact of this is as below.

(i) At 1 July 2004
An increase in both retained earnings and property, plant and equipment of $40,191,000. There is no effect on the parent entity.

(ii) At 30 June 2005
An increase in both retained earnings and property, plant and equipment of $42,697,000. There is no effect on the parent entity.

(iii) For the year ended 30 June 2005
A decrease in depreciation expense of $808,000. There is no effect on the parent entity.

(d) Investment properties

The SKYCITY Metro Centre in Auckland is classified under NZ IFRS as an investment property (previously part of property, plant and equipment). Investment properties are not depreciated and are required to be fair valued each year. SKYCITY Metro was valued with effective dates of 1 July 2004 and 30 June 2005 by DTZ New Zealand Limited, registered valuers and members of the New Zealand Property Institute. The basis of valuation is fair value being the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The effect of this is as below.

(i) At 1 July 2004
Increase investment property and reduce property, plant and equipment by $51,900,000. There is no effect on the parent entity.

(ii) At 30 June 2005
Increase (following revaluation as at 30 June 2005) in investment property by $52,500,000 and reduction in property, plant and equipment by $51,900,000. There is no effect on the parent entity.

(iii) For the year ended 30 June 2005
Reduction in depreciation expense by $1,726,000 and recognition of a gain on revaluation in the Income Statement of $572,000. There is no effect on the parent entity.

(e) Share-based payments

Under NZ IFRS 2 *Share-based Payment,* from 1 July 2004 the company is required to recognise an expense for options and share rights that were granted to employees under the company's various option and share right plans after 7 November 2002 and which had not vested by 1 January 2005. In addition, the company is required to recognise the cost of its salaried personnel incentive plan over the relevant vesting period. This was previously recognised within one financial year. The effect of this is as below.

(i) At 1 July 2004
Increase in share capital of $380,000, reduction in the employee share entitlement reserve of $1,302,000, reduction in payables of $767,000 and an increase in retained profits of $1,689,000. The effect is substantially the same for the parent entity.

(ii) At 30 June 2005
Increase in share capital of $949,000, reduction in the employee share entitlement reserve of $1,383,000, reduction in payables of $292,000 and an increase in retained profits of $726,000. The effect is substantially the same for the parent entity.

(iii) For the year ended 30 June 2005
For the Group and the parent entity there has been an increase in employee benefits expense of $963,000 and $909,000 respectively.

(f) Financial instruments

The Group has elected to apply the exemption from restatement of comparatives for NZ IAS 32 *Financial Instruments: Disclosure and Presentation* and NZ IAS 39 *Financial Instruments: Recognition and Measurement*. It has therefore continued to apply the previous NZ GAAP rules to derivatives, financial assets and financial liabilities and also to hedging contracts for the year ended 30 June 2005. The adjustments required for differences between previous NZ GAAP and NZ IAS 32 and NZ IAS 39 have been determined and recognised at 1 July 2005. Refer to section (5) of this note for further details.

(g) Reclassification of software

Under NZ IFRS, software is classified as part of intangible assets rather than property, plant and equipment. This has resulted in intangible assets increasing and property, plant and equipment decreasing as at 1 July 2004 and 30 June 2005 by $4,428,000 and $5,488,000 respectively. While the amount previously depreciated on software is unchanged it is now classified as amortisation.

There is no effect on the parent entity.

41. EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRS (continued)

(h) Amortisation of goodwill

Goodwill is no longer amortised under NZ IFRS but is reviewed on an annual basis for impairment. SKYCITY has reviewed its goodwill balances and determined there is no impairment. The effect of the adjustment to amortisation is as below.

(i) At 1 July 2004
No effect on the Group or the parent entity.

(ii) At 30 June 2005
Increase in goodwill and retained profits by $1,374,000. There is no effect on the parent entity.

(iii) For the year ended 30 June 2005
Reduction in amortisation expense by $1,374,000. There is no effect on the parent entity.

(i) Deferred tax liability

Under previous NZ GAAP income tax expense was calculated by reference to the accounting profit after allowing for permanent differences. The adoption of NZ IFRS has resulted in a change in accounting policy. The application of NZ IAS 12 *Income Taxes* has resulted in the recognition of deferred tax liabilities on revaluations of non-current assets as well as deferred tax balances arising during the year in relation to fair value adjustments on the acquisition of a business.

The effects on the deferred tax liability of the adoption of NZ IFRS are as follows:

	1 JULY 2004		30 JUNE 2005	
	CONSOLIDATED $000	PARENT $000	CONSOLIDATED $000	PARENT $000
Adjustments arising from adoption of NZ IAS 12	7,318	–	8,513	–
Application of NZ IAS 12 to adjustments arising from adoption of other NZ IFRS:				
Revaluation of certain assets	(9,166)	–	(8,141)	–
Share-based payments	683	–	553	–
Acquisition of SKYCITY Darwin	–	–	11,772	–
(Decrease)/increase in deferred tax liability	(1,165)	–	12,697	–

There is no effect on the parent entity.

(j) Retained profits

The effect on retained profits of the changes set out above are as follows:

	1 JULY 2004		30 JUNE 2005	
	CONSOLIDATED $000	PARENT $000	CONSOLIDATED $000	PARENT $000
Foreign currency translation reserve	(14,172)	–	(14,172)	–
Property, plant and equipment	40,191	–	40,997	–
Share-based payments	1,689	1,626	726	717
Deferred tax	1,165	–	57	–
Investment properties	–	–	2,298	–
Amortisation of goodwill	–	–	1,374	–
Total adjustment	28,873	1,626	31,280	717

41. EXPLANATION OF TRANSITION TO NEW ZEALAND EQUIVALENTS TO IFRS (continued)

(5) Other Effects of the Transition to NZ IFRS

Derivatives

Until 30 June 2005

The Group has taken the exemption available under NZ IFRS 1 to apply NZ IAS 32 and NZ IAS 39 from 1 July 2005. Previous NZ GAAP has been applied in the comparative information on financial instruments within the scope of NZ IAS 32 and NZ IAS 39.

Interest rate swaps

Under previous NZ GAAP, the net amount receivable or payable under interest rate swap agreements is progressively brought to account over the period to settlement. The amount recognised is accounted for as an adjustment to interest and finance charges during the period and included in other debtors or other creditors at each reporting date.

Adjustments on transition to NZ IAS 39: 1 July 2005

The nature of the main adjustments to make this information comply with NZ IAS 32 and NZ IAS 39 are that derivatives are recognised at fair value. Changes in fair value are either taken to the Income Statement or an equity reserve (refer below). At the date of transition (1 July 2005) the carrying amounts of derivatives were taken to retained earnings or reserves, depending on whether the criteria for hedge accounting were satisfied at the transition date. There has been no material impact on either basic or diluted earnings per share in the prior year.

From 1 July 2005

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

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

(i) Fair value hedge

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

(ii) Cash flow hedge

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

Amounts accumulated in equity are recycled in the Income Statement in the periods when the hedged item will affect profit or loss (for instance, when the forecast sale that is hedged takes place).

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

(iii) Derivatives that do not qualify for hedge accounting

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

COMPANY DISCLOSURES

SKYCITY ENTERTAINMENT GROUP LIMITED

DISCLOSURE

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 2006 are set out below.

On 1 July 2005, R H McGeoch resigned as a director and M J Silberling was appointed a director of SKYCITY Australia Pty Limited.

Certain amalgamations were effected, with the amalgamated companies and resulting changes in directorships taking effect on 1 July 2005, as set out below.

- Abdiel Investments Limited was amalgamated with SKYCITY Auckland Limited. E W Davies and A B Ryan were directors of both companies prior to the amalgamation and were appointed directors of the amalgamated company, SKYCITY Auckland Limited.
- Cine-Force Limited and SKYCITY Cinemas (Whangarei) Limited were amalgamated with SKYCITY Cinemas Limited. A B Ryan and P J Holdaway were directors of each company prior to the amalgamation. E W Davies and A B Ryan were appointed directors of the amalgamated company, SKYCITY Cinemas Limited. P J Holdaway was appointed an alternate director for each director.
- SKYCITY Leisure Limited was amalgamated with SKYCITY Leisure Holdings Limited. Prior to the amalgamation, E W Davies, D I Kennedy and A B Ryan were directors of SKYCITY Leisure Limited and A B Ryan and P J Holdaway were directors of SKYCITY Leisure Holdings Limited. E W Davies and A B Ryan were appointed as directors of the amalgamated company, SKYCITY Leisure Holdings Limited. P J Holdaway was appointed an alternate director for each director.
- Riverside Fund Limited, SKYCITY Investments Limited and SKYCITY Investments Auckland Limited were amalgamated with SKYCITY Entertainment Group Limited. Prior to the amalgamation, E W Davies and A B Ryan were directors of SKYCITY Investments Limited, SKYCITY Investments Auckland Limited and Riverside Fund Limited. E W Davies, D T Spring, R H McGeoch, E Toime, R A McLeod, W R Trotter and P L Reddy were directors of SKYCITY Entertainment Group Limited prior to the amalgamation and were appointed directors of the amalgamated company, SKYCITY Entertainment Group Limited.

On 7 September 2005, SKYCITY Investments Australia Limited was incorporated as a wholly-owned New Zealand subsidiary of SKYCITY Entertainment Group Limited. E W Davies, R H McGeoch, R A McLeod, P L Reddy, D T Spring, E Toime and W R Trotter were appointed as directors.

SKYCITY Victoria Pty Limited was incorporated on 6 October 2005 as a wholly-owned Australian subsidiary of SKYCITY Entertainment Group Limited. E W Davies, A B Ryan and M J Silberling were appointed as directors. On 14 May 2006, SKYCITY Victoria Pty Limited was removed from the Australian companies register at the request of SKYCITY.

On 30 June 2006, SKYCITY Hamilton Construction Limited was amalgamated with SKYCITY Hamilton Limited. E W Davies and A B Ryan were directors of both companies prior to the amalgamation and were appointed directors of the amalgamated company, SKYCITY Hamilton Limited.

The following people held office as directors of subsidiaries of SKYCITY Entertainment Group Limited as at the end of the 2006 financial year, being 30 June 2006.

SKYCITY Auckland Holdings Limited, SKYCITY Auckland Limited, SKYCITY Casino Management Limited, SKYCITY Hamilton Limited, SKYCITY Management Limited, Sky Tower Limited, SKYCITY Wellington Limited, SKYCITY International Holdings Limited, SKYCITY Investments Christchurch Limited, SKYCITY Action Management Limited and SKYCITY Investments Queenstown Limited
Directors: E W Davies, A B Ryan.

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

SKYCITY Darwin Pty Limited, SKYCITY Darwin Holdings Pty Limited, Fernbank Pty Limited
Directors: E W Davies, A B Ryan, T A K Wilson.

SKYCITY International ApS
Directors: E W Davies, B Kreiborg, J van Rijn.
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.

SKYCITY Investments Australia Limited
Directors: E W Davies, R H McGeoch, R A McLeod, P L Reddy, D T Spring, E Toime, W R Trotter.

SKYCITY Leisure Holdings Limited, SKYCITY Cinemas Limited,
Directors: E W Davies, A B Ryan.
P J Holdaway is alternate director for each director.

SKYCITY Metro Limited, Planet Hollywood (Civic Centre) Limited
Directors: P J Holdaway, A B Ryan.

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.

SKYCITY Cinemas Limited purchased 75% of the shares in Toptown Cinemas Limited on 17 July 2006. On 21 July 2006 J E Carr, J W Coxhead, S W Green, P J Holdaway and P J Young resigned as directors. On the same date E W Davies and A B Ryan were appointed directors and P J Holdaway was appointed alternate director to each of the directors.

Toptown Nominees Limited became a wholly-owned subsidiary of SKYCITY Cinemas Limited on 17 July 2006. On 21 July 2006, H N Chapman and S W Green resigned as directors. On the same date E W Davies and A B Ryan were appointed directors and P J Holdaway was appointed alternate director to each of the directors.

Village SKYCITY Cinemas Limited became a wholly-owned subsidiary of SKYCITY Cinemas Limited on 8 September 2006 and changed its name to SKYCITY Cinemas Nominees Limited on the same date. D I Kennedy, J R Kirby, S Kirk and H R Shotter ceased to be directors on 8 September 2006. E W Davies and A B Ryan were appointed as directors, and P J Holdaway was appointed their alternate, on the same date.

At 30 June 2006, in addition to the above subsidiary companies SKYCITY also has an interest in, and is represented by SKYCITY executives on the boards of these companies as below.

Christchurch Casinos Limited
SKYCITY representatives on the board: E W Davies, A B Ryan.

Christchurch Hotels Limited, Premier Hotels Limited, Victoria Hotels (Christchurch) Limited
SKYCITY representatives on the board: E W Davies (A B Ryan alternate).

Subsequent to 30 June 2006 A B Ryan has been appointed director and E W Davies has resigned as director and been appointed as A B Ryan's alternate.

DIRECTORS' DISCLOSURES

SKYCITY ENTERTAINMENT GROUP LIMITED

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 included in the company's Interests Register as at 30 June 2006. Notices given by directors during the year ended 30 June 2006 marked with an asterisk.

E W Davies	
Anglican Trust for Women and Children	Trustee
Melanesian Mission Trust	Trustee
R H McGeoch	
Aon Risk Services Limited	Member NSW Board of Advice
Frontiers Group (Australasia) Limited	Chairman
Frontiers Group (UK) Limited	Director
Gullivers Travel Group Limited	Director
LIPA Pharmaceuticals Limited	Director
McGeoch Holdings Limited	Director
Pacific Healthcare Australia 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
Vantage Private Equity Growth Limited	Chairman
R A McLeod	
ANZ National Bank Limited	Director
Aotearoa Fisheries Limited	Director
Gullivers Travel Group Limited	Director
Kura Limited*	Director
Raukura Moana Fisheries Limited	Director
Sealord Group Limited*	Director
Tainui Group Holdings Limited and certain subsidiaries	Director
Telecom Corporation of New Zealand Limited	Director
Te Ohu Kaimoana Limited	Director

P L Reddy	
Active Equities Limited	Director and Shareholder
Infinity Group Limited	Associated Person of Shareholder
SKYCITY Auckland 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
Sir Dryden Spring	
ANZ National Bank Limited	Chairman
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
Northport Limited*	Director
Port of Tauranga Limited	Director
E Toime	
Blackbay Limited, London*	Director
Deutsche Post A.G., Germany*	Director
Maltapost plc, Malta*	Director
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 2005, or entered during the year ended 30 June 2006, have been removed during the year ended 30 June 2006.

- R A McLeod is no longer a director of Arthur Andersen (NZ) Limited.
- P L Reddy is no longer an associated person of a shareholder of MobilefoneRepair.com Limited.

Subsequent to 30 June 2006 Messrs McGeoch and McLeod have ceased to be directors of Gullivers Travel Group Limited, and Mr Toime has ceased to be a director of Maltapost plc.

DIRECTORS' AND OFFICERS' INDEMNITIES

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

DISCLOSURE OF DIRECTORS' INTERESTS IN SHARE TRANSACTIONS

Directors disclosed, pursuant to section 148 of the Companies Act 1993 and Rule 10.5.3 of the NZX Listing Rules, the following acquisitions and disposals of relevant interests in SKYCITY shares during the period to 30 June 2006, as set out below.

	DATE OF ACQUISITION/DISPOSAL DURING PERIOD	CONSIDERATION	SHARES ACQUIRED/ (DISPOSED)
E W Davies	13 March 2006[1]	$313,000	400,000
		$2,054,680	(400,000)
	28 April 2006[2]	$381,875	500,000
		$2,705,300	(500,000)
	7 April 2006[3]	$48,005	9,820
R H McGeoch	25 October 2005[4]	$34,600	10,000
	7 April 2006[3]	$1,203	246
R A McLeod	7 April 2006[3]	$1,921	393
P L Reddy	7 April 2006[3]	$17,721	3,625
Sir Dryden Spring	31 August 2005	$66,672	14,000
E Toime	7 October 2005[5]	$17,945	3,778
	7 April 2006[3]	$18,400	3,764
W R Trotter	7 April 2006[3]	$78,803	16,120

(1) The transaction shown relates to the exercise of 100,000 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.

(2) The transaction shown relates to the exercise of 125,000 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 transaction shown represents the issue of bonus shares under the SKYCITY Profit Distribution Plan.

(4) The transaction shown relates to the exercise of 5,000 options granted to Mr McGeoch pursuant to the Non-Executive Director Share Option Plan approved by shareholders at the annual meeting of the company held on 26 October 2000.

(5) The transaction shown represents the issue of shares under the SKYCITY dividend reinvestment plan (discontinued January 2006).

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

Directors disclosed, pursuant to Rule 10.5.3 of the NZX Listing Rules, the following relevant interests in SKYCITY shares, options and capital notes as at 30 June 2006, as set out below.

	SHARES BENEFICIALLY HELD	OPTIONS BENEFICIALLY HELD
E W Davies	409,821	2,488,530
R H McGeoch	10,246	15,964
R A McLeod	16,393	–
P L Reddy	143,708	20,964
Sir Dryden Spring	24,000	–
E Toime	157,086	–
W R Trotter	672,788	20,964

In addition to the 143,708 shares identified above, Ms Reddy has also disclosed 7,511 shares non-beneficially held.

No directors held any interest in the capital notes of the company as at 30 June 2006.

Options issued to Mr Davies are issued pursuant to the Executive Share Option Plan approved by shareholders at the annual meeting of the company held on 28 October 1999, and the Managing Director Share Option Plan approved by shareholders at the annual meeting of the company held on 30 October 2002. Mr Davies has, subsequent to 30 June 2006, exercised 150,000 options issued in 2001.

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

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

Options issued under the Managing Director Share Option Plan are exercisable three years after the date of issue, at the exercise price determined pursuant to the Plan and lapse if they are not exercised within five years of the date of issue.

DIRECTOR AND EMPLOYEE REMUNERATION

SKYCITY ENTERTAINMENT GROUP LIMITED

REMUNERATION OF DIRECTORS

Remuneration paid to directors or former directors for services in their capacity as directors of SKYCITY Entertainment Group Limited during the year ended 30 June 2006 was as listed below.

E W Davies (Managing Director)	$1,339,231
R H McGeoch (Chairman)	$160,000
R A McLeod	$80,000
P L Reddy	$92,500
Sir Dryden Spring	$92,500
E Toime	$80,000
W R Trotter	$80,000

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 during the year ended 30 June 2006 comprised salary of $949,231 plus a performance-related incentive payment of $390,000 relating to the 2004/05 financial year.

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 2005/06 financial year or reimbursement of expenses incurred in relation to company matters, or as is disclosed elsewhere in this annual report.

Remuneration paid to directors of Queenstown Casinos Limited (QCL) during the year ended 30 June 2006 was $7,500 to each of E W Davies, P J Hensman, A B Ryan and B C Thomas. QCL directors' 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.

Christchurch Casinos Limited, in which SKYCITY has a 40.5% interest, paid directors' fees of $40,000 each for E W Davies and A B Ryan. These directors' fees 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.

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 2006, are as listed below.

Remuneration includes salary and incentive payments under the SKYCITY performance pay incentive plan and where applicable the value of executive share options that have vested during the year ended 30 June 2006.

REMUNERATION	EMPLOYEES
$100,000 – $109,999	20
$110,000 – $119,999	10
$120,000 – $129,999	17
$130,000 – $139,999	6
$140,000 – $149,999	10
$150,000 – $159,999	2
$160,000 – $169,999	6
$170,000 – $179,999	4
$180,000 – $189,999	3
$190,000 – $199,999	3
$200,000 – $209,999	1
$210,000 – $219,999	1
$220,000 – $229,999	3
$230,000 – $239,999	3
$240,000 – $249,999	1
$270,000 – $279,999	1
$280,000 – $289,999	2
$290,000 – $299,999	1
$310,000 – $319,999	1
$320,000 – $329,999	1
$430,000 – $439,999	1
$440,000 – $449,999	1
$530,000 – $539,999	1
$550,000 – $559,999	2
$650,000 – $659,999	1

SHAREHOLDER AND NOTEHOLDER INFORMATION

SKYCITY ENTERTAINMENT GROUP LIMITED

TWENTY LARGEST SHAREHOLDERS AS AT 17 AUGUST 2006

		NUMBER OF SHARES	% OF SHARES
1	UBS Global Asset Management Group*	34,238,168	7.98%
2	Investors Mutual Limited	29,671,340	6.91%
3	State Street Global Advisors Group	14,057,726	3.27%
4	Columbia Wanger Asset Management	12,545,398	2.92%
5	Brook Asset Management	12,207,643	2.84%
6	AXA Group	12,172,414	2.84%
7	Promina Group	10,257,250	2.39%
8	Barclays Global Investors Group	10,142,162	2.36%
9	AMP Capital Investors	8,618,274	2.01%
10	Accident Compensation Corporation	8,187,740	1.91%
11	PM Capital Limited	7,938,673	1.85%
12	Tower Asset Management	7,553,206	1.76%
13	First NZ Securities (Private Clients)	6,324,908	1.47%
14	UBS AG Custodian Group*	4,731,259	1.10%
15	Herschel Asset Management	4,533,709	1.06%
16	ING (NZ) Limited	4,386,024	1.02%
17	Commonwealth Bank Group/Colonial First State Global Asset Management	4,175,609	0.97%
18	ABN AMRO Craigs Ltd (Private Clients)	4,014,496	0.94%
19	Fidelity Institutional Group	3,729,191	0.87%
20	Government Superannuation Fund	3,183,907	0.74%
Total		**202,669,097**	**47.21%**

* Refer to UBS substantial security holder information on the following page.

The analysis as set out above has been compiled based upon information provided by Thomson Financial Pty Limited. Total shares on issue as at 17 August 2006 were 429,287,177. Additional shares have been issued subsequent to 17 August 2006 pursuant to SKYCITY's Profit Distribution Plan, Executive Share Option Plan and Performance Pay Incentive Plan.

DISTRIBUTION OF ORDINARY SHARES AND REGISTERED SHAREHOLDINGS AS AT 17 AUGUST 2006

	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES
1 – 1,000	3,200	1,433,091
1,001 – 5,000	12,390	31,193,126
5,001 – 10,000	3,535	24,076,699
10,001 – 100,000	3,495	73,201,617
>100,000	145	299,382,644
Total	**22,765**	**429,287,177**

As at 17 August 2006 there were 545 holdings of less than 114 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 less than $A500.

SHAREHOLDER AND NOTEHOLDER INFORMATION (CONTINUED)

SKYCITY ENTERTAINMENT GROUP LIMITED

SUBSTANTIAL SECURITY HOLDERS

In accordance with section 26(1) of the Securities Markets Act 1988, the following persons had given notice as at 17 August 2006 that they were substantial security holders in the company and held a relevant interest in the number of ordinary shares shown below.

SHAREHOLDER	DATE OF SUBSTANTIAL SECURITY NOTICE	RELEVANT INTEREST IN NUMBER OF SHARES	% OF SHARES HELD AT DATE OF NOTICE
UBS Nominees Pty Limited and its related body corporate	14 August 2006	42,396,223	9.88%
Investors Mutual Limited	1 June 2005	30,337,928	7.26%

The UBS substantial security holder notice relates to shares held by UBS Global Asset Management Group, UBS AG Custodian Group, UBS Wealth Management Group and UBS Private Client/Private Banking Group.

On 15 February 2006 Commonwealth Bank of Australia Group gave notice that it was no longer a substantial security holder in the company.

CAPITAL NOTES

In May 2000, SKYCITY Entertainment Group Limited issued 150 million unsecured subordinated capital notes for a five-year term at an issue price of $1.00. In May 2005 the capital notes were reissued for a new term of five years. The capital notes offer holders a fixed interest rate of 8.0% until the next election/maturity date, being 15 May 2010. For further information refer note 22 of the financial statements.

As at 17 August 2006 SKYCITY was the holder of 26,140,250 capital notes, as treasury stock. The capital notes held by SKYCITY are not included in the table below.

TWENTY LARGEST CAPITAL NOTE HOLDERS AS AT 17 AUGUST 2006

		NUMBER OF CAPITAL NOTES	% OF CAPITAL NOTES
1	Private Nominees Limited – Residents A/c	10,976,500	7.32%
2	Investment Custodial Services Limited	5,294,000	3.53%
3	Forbar Custodians Limited – PPM Medium A/c	3,292,000	2.20%
4	First NZ Capital Custodians Limited	1,954,000	1.30%
5	Custodial Services Limited – A/c 3	1,852,000	1.24%
6	Forbar Custodians Limited – PPM Low A/c	1,625,000	1.08%
7	Citibank Nominees (New Zealand) Limited – NZCSD A/c	857,000	0.57%
8	Custodial Services Limited – A/c 2	849,000	0.57%
9	Guardian Trust Investment Nominees (RWT) Limited – NZCSD A/c	573,000	0.38%
10	Forbar Custodians Limited – PPM High A/c	567,000	0.38%
11	Private Nominees Limited – Non-Resident A/c	520,000	0.35%
12	Forbar Custodians Limited – Residents 33% A/c	501,000	0.33%
13	Morrow Plastics Limited	500,000	0.33%
14	Public Trust	500,000	0.33%
15	University Of Otago	500,000	0.33%
16	Waikimihia Farm Limited	500,000	0.33%
17	Forbar Custodians Limited – Resident 19.5% A/c	410,000	0.27%
18	Knox Home Trust Board Inc	400,000	0.27%
19	Shona Margaret Auton & Robert Joseph Auton	300,000	0.20%
20	Colin Alfred Carran & Patricia Anne Carran	300,000	0.20%
Total		**32,270,500**	**21.51%**

DISTRIBUTION OF CAPITAL NOTE HOLDINGS AS AT 17 AUGUST 2006

	NUMBER OF NOTEHOLDERS	NUMBER OF CAPITAL NOTES
1 – 1,000	–	–
1,001 – 5,000	1	2,000
5,001 – 10,000	598	3,445,250
10,001 – 100,000	2,661	66,772,000
>100,000	177	79,780,750
Total	**3,437**	**150,000,000**

SKYCITY ACES

In October 2005, SKYCITY Investments Australia Limited issued in Australia 1.5 million unsecured subordinated perpetual reset exchangeable securities (SKYCITY ACES) at an issue price of A$100 per note. SKYCITY ACES offer holders a fully franked variable coupon until the first reset date of 15 December 2010. For further information refer note 23 of the financial statements.

TWENTY LARGEST SKYCITY ACES HOLDERS AS AT 17 AUGUST 2006

		NUMBER OF SKYCITY ACES	% OF SKYCITY ACES
1	J P Morgan Nominees Australia Limited	342,950	22.86%
2	UBS Nominees Pty Limited	191,861	12.80%
3	Share Direct Nominees Pty Limited	107,380	7.16%
4	National Nominees Limited	77,000	5.13%
5	AMP Life Limited	71,101	4.74%
6	ANZ Nominees Limited	67,441	4.50%
7	UBS Wealth Management Australia Nominees Pty Limited	62,050	4.14%
8	Cogent Nominees Pty Limited – SMP Accounts	52,546	3.50%
9	Brispot Nominees Pty Limited	50,450	3.36%
10	RBC Dexia Investor Services Australia Nominees Pty Limited – BKCUST A/c	42,025	2.80%
11	Cogent Nominees Pty Limited	32,285	2.15%
12	Citicorp Nominees Pty Limited – A/c 14	18,162	1.21%
13	Citicorp Nominees Pty Limited – A/c 5	18,000	1.20%
14	Citicorp Nominees Pty Limited	16,355	1.09%
15	Westpac Custodian Nominees Limited	13,669	0.91%
16	Bourne Nominees Proprietary Limited	10,200	0.68%
17	Mrs Lea Maree Gattorna	10,000	0.67%
18	RBC Dexia Investor Services Australia Nominees Pty Limited – JBENIP A/c	8,300	0.55%
19	Citicorp Nominees Pty Limited – Australia A/c	6,000	0.40%
20	ANZ Executors & Trustee Company Limited	5,179	0.35%
Total		**1,202,954**	**80.20%**

As at 17 August 2006, 1,500,000 SKYCITY ACES (each having an issue value of A$100.00) were on issue.

DISTRIBUTION OF SKYCITY ACES HOLDINGS AS AT 17 AUGUST 2006

	NUMBER OF SKYCITY ACES HOLDERS	NUMBER OF SKYCITY ACES
1 – 1,000	801	191,548
1,001 – 5,000	45	105,498
5,001 – 10,000	4	29,479
10,001 – 100,000	13	531,284
>100,000	3	642,191
Total	**866**	**1,500,000**

WAIVERS FROM THE NEW ZEALAND EXCHANGE (NZX) LISTING RULES

The following waivers from the NZX Listing Rules were either granted and published by NZX within, or relied upon by the company in, the 12 month period preceding the date two months before the date of this annual report.

On 5 September 2002, NZX granted waivers from compliance with Listing Rule (LR) 7.3.6 in respect of the participation by Ms H R Shotter in the company's Performance Pay Incentive Plan (PPI) and the Executive Share Option Plan (2002).

On 24 June 2005, NZX granted waivers from LRs 8.1.3, 8.1.4, 8.1.5, 8.1.8 and 8.1.9 in respect of the company's Executive Share Rights Plan 2005. On 24 June 2005, NZX granted a waiver from compliance with LR 7.3.6 in respect of the participation by Ms Shotter in the Executive Share Rights Plan 2005.

On 16 March 2006, NZX granted waivers from compliance with LR 7.3.6 in respect of the participation by Ms Shotter in the company's (renewed) Performance Pay Incentive Plan 2005.

On 22 March 2006 NZX granted an approval under LR 7.3.7A to make certain amendments to the Non-Executive Director, Managing Director and Executive Share Option Plans and the Managing Director 2002 Option Terms to reflect the company's adoption of a profit distribution plan whereby profit is distributed by way of bonus shares rather than by way of dividends to shareholders.

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

Full details of the waivers referred to above can be obtained from the Investor Centre/NZX ASX Announcements subsection of the company's website at www.skycitygroup.co.nz

EXERCISE OF POWERS UNDER LR 5.4.2

On 14 October 2005 NZX delivered a Statement of Case to the company alleging that on 6 October 2005 the company breached LR 10.1.1 when a director of the company disclosed information to the public prior to disclosing the information to NZX. The information in question related to the company's participation in a sale process for the Australian company Taverner Hotel Group Pty Limited. The Statement of Case was referred to NZX Discipline. NZX Discipline determined that the company had not breached LR 10.1.1.

OPTION AND SHARE RIGHTS HOLDERS

As at 1 September 2006, options and share rights on issue were as detailed below.

- 57,892 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 three holders. These options have no voting rights and entitle the holders to two shares on exercise of each 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 each option.
- 2,790,500 options issued under the Executive Share Option Plan approved by directors of the company in August 2002, held by 18 holders. The options have no voting rights but 964,000 of the options entitle the holders to two shares on exercise of each option and the balance of 1,826,500 entitle the holders to one share on exercise of each option.

- 1,519,000 share rights issued under the Executive Share Rights Plan approved by directors of the company in December 2004, held by 21 holders. The share rights have no voting rights but each share right entitles the holder to a number of shares on exercise calculated according to a formula set out in the Plan, based on the difference between the market price for the company's shares on the NZSX and the exercise value for the share right (calculated in accordance with the Plan).

LIMITATIONS ON ACQUISITION OF ORDINARY SHARES

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

- the Gambling Act 2003 (New Zealand)
- the Casino Act 1997 (South Australia)
- the Gaming Control Act (Northern Territory)
- 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
- there are appropriate protections to ensure that persons do not gain positions of significant influence or control over SKYCITY or its business activities without obtaining any necessary statutory or regulatory approvals in those jurisdictions.

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

TRANSFER OF SHARES

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

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

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

- each regulatory authority advises that approval is not needed; or
- any regulatory authority which determines that its approval is required approves the transferee, together with the persons associated with that transferee, as an associated casino person of any applicable casino licence holder; or
- the board of the company is satisfied that registration of the proposed transfer will not prejudice any casino licence; or
- the transferee, and the persons associated with that transferee, 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 that transferee, a higher percentage, the lowest such percentage approved by the regulatory authorities.

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

OTHER DISCLOSURES

SKYCITY ENTERTAINMENT GROUP LIMITED

DONATIONS

Donations of $235,518 were made by the company during the 12-month period ended 30 June 2006.

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 referred to below.

Other than the provisions noted on page 123, 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 2005 and the Overseas Investment Regulations 2005 regulate certain investments in New Zealand by overseas persons. In general terms, the consent of the New Zealand Overseas Investment Office is likely to be required when an 'overseas person' acquires shares or an interest in shares in SKYCITY Entertainment Group Limited that amount to 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 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).

There are no material differences between NZX Appendix 1 and ASX Appendix 4E issued by SKYCITY Entertainment Group Limited for 30 June 2006 and this annual report.

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Bank of New Zealand

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SKYCITY
ENTERTAINMENT GROUP