



ANNUAL REPORT 2007



NOTES FROM THE BOARDROOM

DISTRIBUTION

Total distributions for the 2006/07 year are 21.0 cents per share. The final 2006/07 distribution of 12.0 cents per share will be made on 5 October 2007 to those shareholders on the SKYCITY register as at 5.00pm on 10 September 2007.

ANNUAL MEETING

The 2007 annual meeting of SKYCITY Entertainment Group Limited will be held in the New Zealand Room, SKYCITY Auckland Convention Centre, 88 Federal Street, Auckland, on Friday 26 October 2007, commencing at 10.00am.

The notice of meeting, including the agenda, will be mailed to shareholders on 10 October 2007.

This report is dated 20 September 2007 and is signed on behalf of the board of directors of SKYCITY Entertainment Group Limited by:



R H McGEOCH
CHAIRMAN




E TOIME
EXECUTIVE DIRECTOR

20 September 2007

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“ Over the next 12 to 18 months, SKYCITY’s success will be determined by its ability to streamline and reinvigorate the business for growth. We’ve made a good start: we have refreshed our leadership talent, concentrated on our core strengths, and have a clear understanding on what we must do to deliver growth. The result is a simplified, revitalised and focused business.

We are committed to drive this change and momentum. We know to whom it matters: our shareholders, our customers, our people and the communities in which we work. Whilst the job is far from complete, I am confident SKYCITY is well placed to continue its place as a strong and dynamic leader in gaming and entertainment. ”

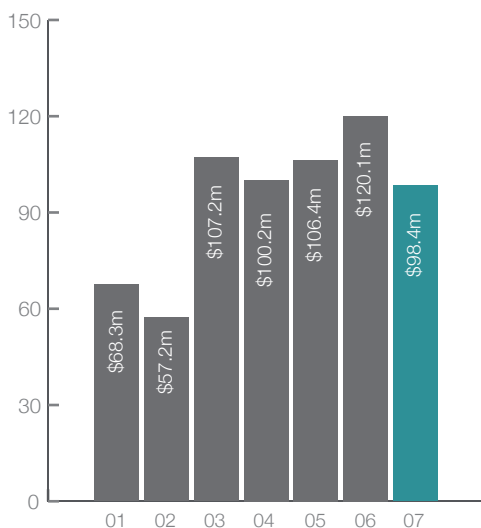
ELMAR TOIME
EXECUTIVE DIRECTOR

PERFORMANCE 2007

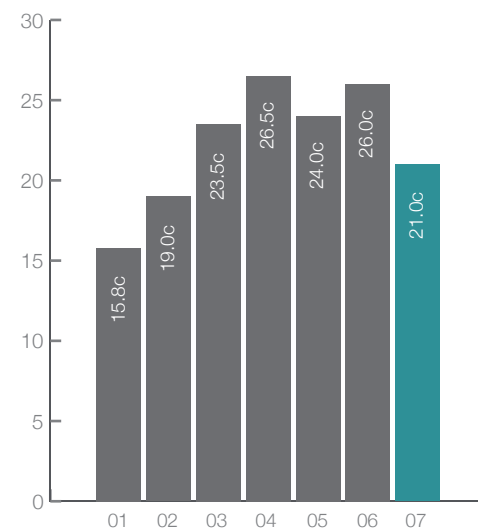
GROUP SUMMARY

	2007 \$m	2006 \$m	Movement %
Earnings before Interest, Tax, Depreciation and Amortisation			
Auckland	209.1	227.0	-7.9%
Hamilton	19.6	17.4	12.6%
Other New Zealand Operations	23.5	14.4	63.2%
Adelaide	A\$25.4	A\$27.3	-7.0%
Darwin	A\$35.3	A\$33.6	5.1%
Corporate/Unallocated	(24.7)	(26.0)	-5.0%
Total Group EBITDA	297.2	301.2	-1.3%
Depreciation and Amortisation	72.3	65.0	11.2%
Funding	93.4	83.9	11.3%
Tax	33.1	32.6	
Minority Interests	-	0.4	
Net Profit after Tax	98.4	120.1	-18.1%

NZ\$m **NET PROFIT AFTER TAX**



cps* **DISTRIBUTIONS/DIVIDENDS**



* cents per share



The board acknowledges that 2006/07 has been a disappointing year for shareholders in terms of SKYCITY's financial performance. The company has faced a range of challenges and is currently engaged in a restructuring programme designed to better position the business for improved returns in 2007/08 and beyond.

ROD McGEOCH
CHAIRMAN

CHAIRMAN'S REPORT

2006/07 In Retrospect

Whilst a number of SKYCITY's operations performed well during the 2006/07 financial year, the key driver of the Group's overall outcome, the Auckland business, significantly underperformed against previous years. The Cinemas business also disappointed due to flat revenues but against an expanded cost base.

The board is actively engaged with management in developing and confirming actions to ensure that the company's net profit outcome for 2007/08 and thereafter shows improvement on 2006/07.

SKYCITY shareholders have enjoyed sustained growth in distributions from start-up in 1996 through until 2004 (26.5 cents per share:cps) although, in the most recent three years, returns to shareholders have been mixed with 26cps maintained in 2006 but lower distributions of 24cps and 21cps in 2005 and 2007, respectively.

The company's profit distribution plan, introduced in February 2006, has proved popular with New Zealand retail shareholders. However, due to the higher than expected take-up rate by shareholders and the accumulating effect on the number of shares on issue, the board has, in the interests of all shareholders, decided to remove the 2.5% discount incorporated within the strike price calculation from the final FY07 distribution of 12cps payable on 5 October and from future distributions under the plan.

As a new company in a new sector in New Zealand, SKYCITY experienced strong growth

during its first ten year period but is now at a stage in its development cycle where the priority during the next 12 month period is to see the business consolidate its position, strengthen its core business activities, rebuild its internal capabilities, and put in place the initiatives that will achieve renewal in the company's revenues and earnings streams, with a particular emphasis on the Auckland property.

The board is confident that return to growth can be achieved given the strength of the company's markets, operations and assets, and its strong licensed positions in New Zealand, South Australia and the Northern Territory of Australia.

Chief Executive Position

Following the departure of SKYCITY's founding chief executive Evan Davies in late June 2007, the board was fortunate in being able to place non-executive director Elmar Toime into the role of Executive Director during the period between the departure of Mr Davies and the appointment of a new chief executive. Just as importantly, the board was able to ensure, through Mr Toime's appointment, a continuing momentum to the company's restructuring imperatives and to maintain close contact with the existing and emerging issues within the key business units.

Elmar Toime brings to the role the experience of having been the chief executive of a large commercial organisation (New Zealand Post) and the knowledge acquired as a SKYCITY non-executive director since 1996. Mr Toime has been mandated by the board to ensure that the restructuring plan announced in May 2007 is implemented effectively and expeditiously and to

ensure that the business is placed on a sound footing prior to the arrival of the new chief executive.

One of the most important decisions a board makes is the selection of the company's chief executive. The best available candidate must be identified and recruited to implement board policy, develop and recommend the strategic direction of the business, ensure operational and financial efficiency, interact effectively with government, regulators and the community, and to lead and inspire management and staff.

The board is currently in interview phase for a new chief executive and is confident a candidate of high quality will be able to be secured to continue the company's consolidation programme and to guide the business back onto a sustained growth path for the future. The board expects to be in a position to announce a high calibre appointment within a relatively short timeframe.

2007/08 Profit Guidance

Guidance for the 2007/08 year has been provided in conjunction with the 2006/07 financial result and confirms the board's confidence in the resumption of a growth path for the business. Based on the existing business model being continued (refer asset reviews in the following section of this report) and the company's current and planned strategies being effective in the competition for the discretionary entertainment dollar, reported tax-paid earnings have been projected to increase by between 10-12% in the forthcoming year.

This profit projection remains conditional upon international rebate business being at normalised outcomes, main gaming floor construction disruption being no worse than has been experienced to date (until expected completion by March 2008) and smoking bans in Adelaide during the post-implementation period (from 1 November 2007) being no worse

than experienced in New Zealand during the corresponding post-implementation period. Given that international rebate business is less than 5% of total revenues, this business sector is not, under normal circumstances, expected to generate significant volatility in terms of the overall 2007/08 outcome.

Asset Reviews: Adelaide and Cinemas

SKYCITY's existing business model comprises gaming entertainment facilities in Auckland, Hamilton and Queenstown, a 40.5% share in Christchurch Casino, Adelaide and Darwin in Australia, and cinema exhibition operations in New Zealand. Subsequent to the strategic asset review process announced in May 2007, the company has advised that it is interested in receiving offers for its SKYCITY Adelaide and cinema exhibition businesses.

During the 2006/07 year, the SKYCITY Metro Centre in downtown Auckland was sold for \$55 million, with the sale proceeds used to fully fund the acquisition of the 50% Village Roadshow share of the Village/SKYCITY Cinemas joint venture.

Darwin Casino Licence

A key achievement during 2006/07 was the extension of the Darwin casino licence term beyond 2015. A fully exclusive casino licence extension, negotiated with the Northern Territory Government, provides SKYCITY Darwin with an effective 15/20 year renewable licence term. As part of the license negotiation, SKYCITY has agreed to commit A\$30 million of capital works which will accommodate the strong growth trends projected for this business.

Board of Directors

Following the retirement of Rob McLeod and the resignation of Evan Davies, both in June 2007, the board was reduced in size from six non-executive directors plus the Managing Director to four non-executive directors plus Elmar Toime as Executive Director.

The directors are actively seeking to appoint two additional non-executive directors to rebuild the board complement. Those appointments are expected to be confirmed, subject to regulatory approval processes, within the next few months. Regulatory approval can be an extended process and somewhat difficult to predict as to timing but, in the interim, the new directors to be appointed will be invited to attend the company's board meetings.

Bill Trotter and myself retire by rotation at this year's annual meeting and offer ourselves 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 for re-election. At its August 2007 meeting, the board unanimously invited Bill Trotter and myself to stand for re-election.

Bill Trotter is standing for re-election for a further term of one year in order to ensure that the board maintains an appropriate structure during its transition process. Mr Trotter intends to retire at the 2008 annual meeting by which time new directors will have been appointed and board strength will have been renewed.

The directors confirm that Bill Trotter and Rod McGeoch are effective board and committee members and the board unanimously supports both directors standing for re-election at the company's annual meeting in October.

Corporate Governance

SKYCITY has in place an extensive and comprehensive set of governance protocols and procedures which align closely with the corporate governance principles of both the New Zealand and Australian stock exchanges. Details of the governance standards and the company's compliance therewith are included in this annual report.

Acknowledgement: Evan Davies

On behalf of the board, I would like to formally acknowledge the contribution made by SKYCITY's founding chief executive Evan Davies to the growth and development of the company. During Mr Davies' tenure SKYCITY has grown from a concept plan to a multi-site (New Zealand and Australia) and dual-listed (NZX and ASX) major scale corporate with an enterprise value in excess of NZ\$3 billion and employing more than 4,500 people.

Annual Report

Shareholders will be aware that, for the first time this year, the primary reference for the company's annual report is at the Investor Centre section of the company's website, with shareholders who wish to continue to receive a printed copy able to nominate that preference. SKYCITY encourages shareholders to give consideration to receiving the annual report via electronic format as this will result in production cost savings and reduced consumption of physical resources.

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 Friday 26 October 2007, commencing at 10:00am.



ROD MCGEOCH
CHAIRMAN

SCHEDULE

EXECUTIVE DIRECTOR'S REPORT

I am pleased to make this report to shareholders on the performance and status of the business. In late June 2007 I was asked by the board to take up the role of Executive Director in order to provide ongoing leadership during a critical phase of the company's operations.

As a non-executive director, I had been involved at the strategic and stewardship levels in the opportunities and challenges of the various SKYCITY businesses. Accordingly, I had a clear understanding of the issues and risks facing the company and during my tenure to date have acted, with the board's decisive support, to address these.

Among the issues to be addressed there were some specific challenges which warrant comment in this report in order to facilitate shareholder understanding of the company's financial performance and its future direction.

These issues included the following:

- restructuring of senior management for greater effectiveness
- allocating and embedding the announced cost reduction programme into management budgets to ensure ownership and commitment
- advancing the asset review process
- reviewing and assessing at an in-depth level the performance and challenges of the Auckland property
- increasing the depth of disclosure of some key business elements within the company's public reporting.

I will report on these matters later in this review and more detail about them and their impact on the future prospects for SKYCITY is provided throughout the commentary included in this annual report.

Earnings Performance

Although overall revenues were up 7% to \$816 million, the SKYCITY Group disappointed at the earnings lines, with operating earnings (as measured by EBITDA: earnings before interest, tax, depreciation and amortisation) down 1.3% on the prior year from \$301 million to \$297 million and reported net profit after tax down 18% from \$120.1 million to \$98.4 million.

The 2006/07 result reflected organic revenue growth in most business units and cost reductions in Auckland and corporate office, offset by reduced gaming revenues and earnings in Auckland, reduced income from the international rebate business across the Group, and lower than expected cinema earnings as the result of lower performing film product coupled with a higher cost base due to an increase in the number of sites.

Darwin, Adelaide, Hamilton, Queenstown, and the Auckland attractions operations (hotel, convention, restaurants and bars, Sky Tower, parking) all increased EBITDA in the 2006/07 year and corporate costs were reduced. However, these increased earnings and reduced costs were more than offset by reduced earnings from SKYCITY Auckland's gaming operations and from Cinemas.



Key Factors Affecting the 2006/07 Result

The key factors affecting the 2006/07 financial result included the following:

- significant disruption to the customer experience as a consequence of the main gaming floor refurbishment project in Auckland (commenced September 2006 and programmed through to March 2008)
- strong attractions revenues in Auckland in hotels, convention, and food and beverage
- reduced overhead costs: Auckland and corporate office
- continued revenue growth in Hamilton and Darwin with revenues up 14% and 9% respectively
- static performance in Adelaide, and
- flat cinema revenues but from a higher cost base (more sites, increased number of screens).

Underlying or Normalised Earnings

Whilst reported net profit was down 18% on prior year, underlying or normalised net profit was up 7%. Reported net profit includes transactions which are not expected to recur and/or which relate to non-trading activities and these can be

removed to better identify the underlying trading performance of the business.

At the operating earnings (EBITDA) line, underlying or normalised Group earnings for the gaming entertainment operations (excluding cinema operations) produced a 4% improvement in the year ended 30 June 2007, up from \$273 million in FY06 to \$285 million in FY07. It should be noted that Cinema operations have been excluded from this assessment given that this was the first year in which the Group had 100% ownership of that business, up from 50% in the previous year.

The focus on EBITDA (representing the underlying operating performance of the business) is important because it reflects business operations and removes the impact of financing, tax and other transactions. A proper understanding of the trends of the business involves evaluating the underlying EBITDA year on year movements.

Further clarity in the company's reporting has been provided in the 2006/07 annual result

SCHEDULE

through separation of corporate or central costs from those of the Auckland business and identification of the international rebate business (IRB) sector as a subset within table games. IRB performance is clearly identified within the 2006/07 result and it is proposed that IRB will be reported as a separate business segment in the 2007/08 year.

The principal adjustments to derive underlying or normalised earnings from reported earnings included the following:

- adjustment of IRB to theoretical/normalised
- elimination of gains on sale of properties
- removal of one-off restructuring costs
- elimination of financial restructuring gains/losses and tax rate changes.

Share Price

SKYCITY's current share price does not show any significant gain since mid 2004. The board and management are resolved to improve the earnings performance of the business so that can then be reflected in improved share price. The disappointing share price performance, despite a strong yield from continuation of the company's 90% profit distribution policy, is due to a combination of both internal and external factors.

During the last three years some significant constraints have affected the earnings potential of the New Zealand businesses, including the \$20 note acceptor limitation in March 2004, a new regulatory environment from July 2004, smoking bans from December 2004, the Auckland main gaming floor refurbishment project since September 2006, and sustained higher interest rates during the last 12 months which have inevitably restricted the discretionary spending power of the New Zealand customer base.

Looking Forward

Looking forward, we expect the following: Hamilton and Darwin to continue their revenue

growth and cost management progress, Auckland gaming to progressively regain lost ground as the main floor refurbishment and other initiatives start to take effect, Adelaide earnings to be held back by smoking bans from 1 November 2007, and cinema earnings to improve on the back of better performing film product.

Future investment in Adelaide and Cinemas will depend on the outcome of the market testing processes currently under way, as to retention or sale of these assets.

Christchurch Casino offers scope for enhanced earnings once the proposed refurbishment of that property has been completed.

Finally, the company looks forward to developing closer working relationships with government, regulators, police, service providers and other community agencies in a collaborative effort to mitigate customer risk and to help ensure a continuing safe environment for customers.

Performance Summary

Set out below are summary comments relating to each of the SKYCITY operations for the 2006/07 year. The full SKYCITY FY07 result presentation, dated 20 August 2007, can be found on the company's website at www.skycitygroup.co.nz under the section header 'Investor Centre'. The result presentation included on the website provides more extensive detail on the FY07 result than can be accommodated in this review summary.

Auckland

SKYCITY Auckland's 2006/07 financial result shows an 8% gross margin reduction in local gaming operations, partially offset by increased attractions (non-gaming) gross margin performance in hotels (occupancies and room rates up), conventions, and food and beverage, and through reduced overhead costs.

EBITDA performance for the local business operations (exclusive of international rebate business) was down 2.9%, or \$6.3 million, compared to the previous year.

Auckland gaming performance is the primary contributor to the overall SKYCITY Group result. As a consequence, management attention has been focused on how to reverse the FY07 downturn in local Auckland gaming revenue and enhance the gaming customer experience. Once completed, the new main floor renovation will add significantly to that experience (with early indications positive that this will be achieved) and a range of supporting initiatives will be deployed during the next 12 months.

The in-depth Auckland gaming operations review, conducted in July 2007, identified five key focus areas for performance improvement which are listed below:

- change the mix of machine game product to better reflect the preferences of the Auckland market
- create zones within the gaming floor layout to better serve higher value players to retain and grow this segment
- optimise the remaining components of the main gaming floor refurbishment project
- improve customer communications and service, and
- relaunch the ACTION customer loyalty programme.

Management is focused on ensuring that the Auckland business provides a superior total customer experience in conjunction with completion of the gaming floor renewal.

Adelaide

SKYCITY Adelaide's 2006/07 local gaming and international rebate revenues were up marginally but were offset by reduced non-gaming revenues and a 2% increase in expenses, leading to a contraction in operating earnings of 7% compared to prior year.

Whilst machine play kept pace with growth in the broader gaming market, up 3.5%, this was offset by local table games and food and beverage revenues down 2.6% and 3.6% respectively.

The extended delay in obtaining approval from the South Australian Government for the carpark component of the redevelopment project has seriously hampered the company's ability to optimise the potential of its Adelaide business by extending the property's competitive disadvantage against the pub and club market.

South Australia continues to be a difficult region for business growth and development, and the delays experienced in the redevelopment project now make it difficult for the company to mitigate the impact of the smoking bans which are being introduced from 1 November.

As a consequence of the challenging investment and operating environment in South Australia, SKYCITY is testing market interest in its Adelaide property with formal bids invited from interested parties. A comprehensive strategic plan for the Adelaide property has been developed based around the redevelopment options for the property. This plan, if delivered successfully, will have the potential to add substantive value to SKYCITY's Adelaide business. However, if another party is of the view that it can achieve significantly greater value than SKYCITY's strategic value, then the board will consider divestment of its Adelaide business. The board will be careful to evaluate the various options to make sure that shareholder interests will be best served.

Darwin

SKYCITY Darwin continues to perform well, having added significant value to SKYCITY's asset portfolio since acquisition in July 2004. During this three year period, Darwin has delivered strong revenue and earnings growth, with all sectors of the business mix contributing. The Darwin expansion project (gaming, restaurant,

bar and outdoor facilities), due to commence in October 2007 with completion scheduled for December 2008, will allow the Darwin business to continue on its growth path.

Worth noting during the 2006/07 year were the successful negotiation of the casino licence extension with the Northern Territory Government and purchase of the adjoining Little Mindil land. This acquisition will increase the Darwin property's entertaining capacity, with outdoor events at SKYCITY Darwin being a mainstay of the Darwin social calendar and a significant contributor to the business's food and beverage revenues.

Hamilton

SKYCITY Hamilton has achieved consistent revenue and earnings growth since opening in September 2002, with growth trends projected to continue. Gaming revenues for 2006/07 were up strongly on the prior year, complemented by growth in food and beverage revenues as the new bar and restaurant facilities came on stream.

Cinemas

SKYCITY Cinemas disappointed during 2006/07 on the back of low performing film product and a less than satisfactory initial operating performance by the new nine screen Queensgate multiplex in Lower Hutt.

The cyclical nature of cinema product quality and the high demand for capital expenditure to keep pace with competitive pressures has led to an unsatisfactory outcome in terms of return on assets employed. This downward trend in return on investment has eroded the benefits that the company anticipated would flow from customer synergies and a broadening of the SKYCITY

entertainment footprint. As a consequence, we have announced that the SKYCITY Cinemas business is available for sale with interested parties invited to submit formal offers.

Other Operations

Christchurch and Queenstown casinos both performed well during the 2006/07 year, with significant upside potential anticipated from Christchurch Casino once the intended renovations to this property have been introduced.

Customer Welfare and Regulatory

There has been considerable public interest in recent months in how casinos deal with a range of customer welfare issues including problem gambler identification, elimination of loan-sharking activity from casino premises, potential money laundering, and the detection and elimination of other undesirable activity.

SKYCITY is highly committed to ensuring that its casino operations have the confidence of the general public and the regulatory agencies in each of its jurisdictions and to a proactive and co-operative approach to these challenges.

Detecting suspicious and/or undesirable activity is a significant challenge. In addition to the company's own observations and monitoring, we also rely on information provided to us by others and, with more than 30,000 visitors per day on average to our five casino properties, most of which are operating on a full 24/7 basis, it is not possible to achieve a 100% detection rate at all times. However, SKYCITY and its staff, in conjunction with other agencies and interested parties, will continuously strive to ensure that a

very high detection percentage is achieved and that, in all instances, an appropriate response is made to each situation identified by and/or reported to us.

As a matter of policy and good governance, SKYCITY does not see any inherent conflict in its desire to maintain public confidence in its operations and the creation of shareholder wealth over time. Occasional external commentary that suggests there is a conflict is not warranted and not well founded. The main difficulty for the company and its staff arises at the practical level when intervention is sometimes required in an environment of uncertainty relating to the interpretation of observed behaviours. SKYCITY's training and refresher programmes are designed to develop and then enhance the observation, detection and appropriate response skills in its employees at all levels.

People

I would like to take the opportunity of this annual report to acknowledge the efforts of all SKYCITY people during 2006/07 in what has been a challenging year. We look forward to their continued enthusiasm and commitment to the challenges and opportunities that the 2007/08 year will present.

SKYCITY relies on the efforts and skills of its more than 4,500 employees in New Zealand and Australia who are committed to customer service delivery on a 24/7 basis. Because SKYCITY delivers an experience to its customers rather than a physical product, the service ethos of our staff is critical to the enjoyment of their experience by our customers and, as a consequence, their propensity to spend and

return again. In 2007/08 management plans to be fully engaged with customer-facing staff at all levels of the operation, with the objective of further enhancing service attitude and delivery, customer satisfaction ratings and, in turn, the earnings potential of the business.

As sometimes occurs in a company whose history has been one of sustained growth, costs and organisational structures evolve into forms not necessarily best suited to a more challenging business environment. Since late June the senior management structure has been simplified and a number of executives and support staff have left the business. While it is never pleasing to let good people go, falling profit margins have necessitated a rethink of the company's cost base and a reprioritisation of support activities.

Conclusion

SKYCITY continues to be a strong business, notwithstanding its relatively weaker performance in FY07. Whilst I am pleased with the direction the business is heading, that is not to say things will be easy, but the tremendous creativity and dedication of the many people in the company augurs well.



ELMAR TOIME
EXECUTIVE DIRECTOR

BLUEPRINT FOR FUTURE SUCCESS





SKYCITY has a blueprint for performance: we are focused on the action we need to take to improve the business.

In the past nine months, we have undertaken a comprehensive review and restructure of our operations. Our focus has been to put in place the systems, the resources and the people to maximise our efficiency and effectiveness.

Progress has been good to date: we have identified \$33 million in cost savings, and streamlined both systems and structures for greater efficiency. We will continue to look for improvement; our priorities for the year ahead are very clear.

Consolidate our core business

Gaming is the centre of SKYCITY's entertainment offering. While by no means the only facet of our activities, it remains the pivotal element of our business. With its world-class gaming floor, our Auckland casino, SKYCITY Auckland, is our flagship operation.

SKYCITY's performance was disappointing in 2007. While Auckland remains strongly profitable, operating earnings were down 2.9% in the 2006/7 year. It was evident that the renovation programme for the main gaming floor, had a greater impact on customers than had been expected. Customer visits were relatively flat against the previous year, but spending fell.

Our priorities for Auckland gaming now, following a fresh look at our offering, will be to add value to the customer experience by:

- redesigning our gaming environment, customising playing areas and offering a broader range of experiences

- working with machine vendors to broaden the mix of gaming product to better reflect New Zealand gaming preferences, and
- personalising our offering to high value customers, to ensure they get a premium service and experience.

Results to date show positive progress. Our customers have provided us with great feedback to Auckland's new Baccarat Room and our enhanced VIP amenities. We have confidence that we are injecting new excitement and energy into the SKYCITY experience and, in return, will deliver stronger results.

Enhance the customer experience and customer welfare

Our vision is to do the best we can to give customers a happy, safe and entertaining time when they visit our properties.

We have been building an in-depth understanding of what our customers want today as well as how their needs and tastes are evolving. We are investing in new systems and tools to provide that insight and we are upgrading our Action loyalty programme and marketing to recognise these needs.

Providing a safe and enjoyable entertainment environment for customers is a priority for us. Not only does it enhance the customer experience, but it creates sustainable shareholder value.

We are continuing to evolve our policies and programmes through:

- an external review of practices and procedures
- enhanced training programmes in host responsibility, and
- leading a working party with government agencies to continually improve information-sharing practices.

Cost reduction programme for greater efficiency and effectiveness

SKYCITY as a business cannot stand still – our leadership depends on our ability to innovate, anticipate change and respond quickly.

To this end, we are streamlining the business.

We have reviewed and simplified our leadership and management structures, providing clear reporting lines and accountability for better decision making. We have reviewed our underperforming assets to determine their long term value for shareholders.

A review of our back office systems and processes means we have been able to centralise a number of Group functions. In addition, we are introducing smart sourcing strategies and a shared services operating model.

These cost saving activities commenced in the second quarter of the FY07 financial year and have continued. Collectively these changes will have removed \$33 million in costs from the business when the programme concludes in 2008. This will assist to recover our performance levels. However, we are committed to ensuring we do not lower the standard of customer service or welfare, both of which remain of paramount importance to us.

Encourage and reward high performance

We know that our people are at the heart of a great SKYCITY experience. Service industries face significant competition for employees and SKYCITY is no exception. While we have a strong base of talented, hard-working and committed staff, employee turnover levels are unacceptably high in some of our front of house areas.

We will be revisiting employee climate surveys so that we can better understand the factors that might be inhibiting peak performance. To encourage people we are recognising talent by promoting from within where we can. Our leaders are being asked to create work environments that encourage and reward high performance and so keep SKYCITY as an employer of choice.

Future growth

SKYCITY has much to be proud of, as a well-established, profitable trans-Tasman business.

There is strong leadership energy. We are connecting with our customers in new ways. We have clarity about what we must do to deliver performance and growth from our existing businesses.

In short, we understand that to earn our reputation as a leading company in our sector, we will create value for our shareholders through attention to customer service, community welfare and employee development.

BOARD OF DIRECTORS



Rod McGeoch
Chairman of Directors

Chairman of the Nomination Committee and member of the Governance and Remuneration Committee

Rod McGeoch was appointed a director in September 2002 and Chairman of the company on 1 April 2004. Mr McGeoch is an independent non-executive director based in Sydney, Australia. He is a director of Telecom Corporation of New Zealand Limited, LIPA Pharmaceuticals Limited and Ramsay Health Care Limited, and chairman of 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 and a trustee of the Sydney Cricket and Sports Ground Trust.



Elmar Toime
Executive Director

Member of the Audit and Risk Committee and member of the Nomination Committee

Former chief executive of New Zealand Post and credited with leading New Zealand Post through its transformation into one of the top-rated postal services internationally, Elmar Toime has extensive international experience in running large companies. His experience at both management and board level serves to provide the company with sound guidance while the global search for a new chief executive is undertaken. Mr Toime was appointed a director in February 1996 and Executive Director on 25 June 2007.



Patsy Reddy
Deputy Chairperson of Directors

Chairperson of the Governance and Remuneration Committee and member of the Nomination Committee

Patsy Reddy is an independent non-executive director and was appointed in 1994. Ms Reddy is also a 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, Victoria University of Wellington Art Collection Trust, SKYCITY Auckland Community Trust and a member of the Adam Art Gallery Advisory Board.



Sir Dryden Spring

Chairman of the Audit and Risk Committee and member of the Nomination Committee

Sir Dryden Spring is an independent non-executive director and was appointed in October 2003. He is chairman of ANZ National Bank Limited and certain subsidiaries. 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.



Bill Trotter

Member of the Governance and Remuneration and Nomination Committees

Bill Trotter was appointed a director in March 2000. Mr Trotter is an independent non-executive director under the NZX Corporate Governance Best Practice Code and a non-executive director under the ASX Corporate Governance Principles and Best Practice Recommendations. Mr Trotter is executive chairman of First NZ Capital Holdings Limited and FNZ Holdings Limited and certain subsidiaries.

Other Information

Evan Davies resigned as Managing Director and Chief Executive Officer on 25 June 2007 and Rob McLeod retired as a director on 30 June 2007. The company is in the process of identifying two new directors for appointment to the board and also a new Chief Executive Officer. Announcement of these appointments will be made later this year, subject to regulatory approval processes.

Following the retirement of Mr McLeod on 30 June 2007, Mr McGeoch was appointed a member of the Audit and Risk Committee and Sir Dryden Spring was appointed chairperson of that committee.



EMPOWERING OUR PEOPLE





Our people bring the SKYCITY experience to life. We define, evolve, and drive the SKYCITY brand through our recruitment and development practices; finding great people and encouraging them to stay and grow with the company gives us a distinct advantage as we focus on building an energetic, adaptable company.



We are proud to be one of Australasia's most diverse workplaces, comprising over 4,500 employees from 80 nationalities.

We work in over 800 different types of jobs and 10% of us have been part of SKYCITY since the day we opened, moving and growing with the business.

In all our diversity, we share a common purpose: to understand our customers, to engage and provide them with great service.

To support this, we are:

- making our structures simpler, our systems more efficient and offering new challenges and targets to our management teams

- enhancing our commitment to fair and consistent employment by providing strong leadership and developing our people to their full potential, and
- continuing to recognise and reward superior individual and team performance.

Simplified structure, stronger leadership

One of the first changes we have made is to streamline our senior management structure. We have removed layers and reduced duplication which means we are more focused and efficient. We expect our managers to lead with clear purpose and accountability, and to have the right tools and authority to do their job.

Communication is more open and simple. Staff initiatives from different parts of the business are better able to complement and support each other. And there is greater transparency - people know where the company is going, and how they contribute to that progress.



SKYCITY EXECUTIVE TEAM

We are building the right team of senior executives: leaders who will direct the progress of SKYCITY in the coming years. The current team provides a depth of internal and industry expertise with a breadth of international experience and best practice.



Jane Hastings, General Manager Group Marketing and Sales

Jane is an internationally experienced marketer who joined SKYCITY in early 2007. Jane understands the societies and business cultures of Australasia - SKYCITY's business backyard. She also understands what motivates customers and keeps them loyal in the highly competitive entertainment industry. Jane is focused on growing business revenues for the group by enhancing the customer experience with a fresh range of broad sales and marketing initiatives. Jane is a recognised force in the Asia-Pacific marketing industry and brings extensive experience from the service sector as well as leading listed and Fortune 500 global brands, including AIG, American Express, Shell and Singapore Airlines.



David Sullivan, Chief Financial Officer

David has been leading SKYCITY's financial operations since October 2006. He holds a crucial role as the company goes through its streamlining process of shared services to drive greater efficiencies and improve operational performance. David is well respected in the financial community with a truly international background, having worked extensively in China, Australia, the UK and Europe as well as in New Zealand. He leads a management team responsible for finance strategy and operations as well as information services across the group. He became a director of the Christchurch Casino Limited in August 2007. Before joining SKYCITY, David was Vodafone New Zealand's finance director and prior to that held senior positions at Baycorp Advantage and Lion Nathan.



Alistair Ryan, General Manager Corporate

Alistair joined SKYCITY in 1995 and has extensive knowledge of the company's development as a leading NZX and ASX-listed corporate. As General Manager Corporate and Company Secretary for the SKYCITY Group, he is responsible for the regulatory and corporate compliance functions including the company's stock exchange listings in New Zealand and Australia, business protection and risk management, customer welfare and host responsibility, government and regulatory relationships and policy, and for the company's corporate governance regime. Alistair is also a director of Christchurch Casinos Limited, Christchurch Hotels Limited (the owner of the Christchurch Crowne Plaza Hotel), Queenstown Casinos Limited and other SKYCITY subsidiary companies. Prior to joining SKYCITY, Alistair was a financial services partner with international accounting firm Ernst and Young.



Gillian Gibson, General Manager Group Human Resources

Gillian Gibson has ultimate responsibility for SKYCITY's people - attracting and retaining the best people, and remunerating and rewarding them in the right way while giving them the right tools and incentives - empowering them to perform. She has been a driving force behind human resources at SKYCITY since 1998, most recently as General Manager of Human Resources for the SKYCITY Group. Gillian has previously held senior human resources roles with Telecom New Zealand, Lion Nathan and KFC.

SKYCITY GENERAL MANAGEMENT TEAM



David Christian, General Manager SKYCITY Auckland

David Christian took up SKYCITY Auckland's management in mid-2006. He has a broad understanding of the Auckland business and community, having previously held responsibility for gaming at SKYCITY Auckland. His extensive SKYCITY experience includes the general management of SKYCITY Hamilton. David has more than 20 years experience in hospitality, hotel and casino management including working in several Australian states and in Singapore. David was previously General Manager of the West Point Hotel Casino and General Manager Operations of the Country Club Casino, both in Tasmania.



Geoff Hogg, General Manager SKYCITY Hamilton

Geoff has been with SKYCITY since 1996. He has a wealth of experience and knowledge of the industry and SKYCITY's operations. He developed his skills in operations, business development and management of the SKYCITY business and the New Zealand gaming industry over the last decade. Geoff's SKYCITY experience has seen him gain considerable expertise in managing staff teams for both table and machine gaming, at SKYCITY Auckland and previously at Christchurch Casino.



Mary Whelan, General Manager SKYCITY Queenstown

Mary has been General Manager of SKYCITY Queenstown Casino since May 2006. Mary commenced in the gaming industry over 20 years ago and has since built a strong career including senior positions in many Australian casinos. She joined SKYCITY as VIP Services Manager for SKYCITY Adelaide in 2004, going on to manage the international business team in Melbourne where she established the SKYCITY office.



Andrew Wilson, General Manager SKYCITY Darwin

Andrew has managed the Darwin property since 2001 when it was owned by MGM Mirage. Since being purchased by SKYCITY in 2004, Andrew has been directly responsible for the day to day operations and performance of SKYCITY Darwin as well as overseeing growth and development plans for the property. He has a strong background in hospitality and casino management including 15 years with Burswood International Resort Casino in Perth where he was chief operating officer. Andrew is a board member of the Northern Territory Chamber of Commerce and Industry and the Australian Technical College.



Matthew Liebmann, General Manager SKYCITY Cinemas

Matthew has been General Manager of SKYCITY Cinemas since October 2006, and brings more than 12 years experience in the entertainment and media industry to the position, including six years in a variety of roles in cinema exhibition for Village Roadshow. Prior to SKYCITY, Matthew was a Director in the Entertainment and Media practice at PricewaterhouseCoopers in Sydney, where he was a specialist entertainment and media consultant.

SKYCITY Adelaide

Kevin Brewer was the General Manager of SKYCITY Adelaide effective to 10 September 2007. Simon Jamieson is acting as General Manager whilst the business recruits a suitable candidate to lead the Adelaide property. With over 25 years of commercial experience, Simon brings a wealth of corporate and operational skills to SKYCITY. Simon became director of food and beverage in Penang, Malaysia and Christchurch, New Zealand for the Parkroyal Group. He then moved into General Manager roles for the Duxton and Aroma Groups in New Zealand prior to joining SKYCITY.

PLANNING FOR PERFORMANCE

SKYCITY is focused on maintaining the right competencies, skills and experience for the success of business today, and for our future performance and growth. We have long specialised in developing talent and promoting people from within the organisation, while attracting and retaining people with specific expertise from outside the SKYCITY Group.

This combination of ongoing recruitment of outside talent and upskilling and continual development of internal resources gives us a distinct edge in our growth planning.

We are creating new collaborative opportunities to share ideas and best-practice examples across our business. We have introduced an internal peer review process focused on the gaming areas of our business and we have established a think tank of gaming unit leaders from all SKYCITY casinos.

Fast-tracking a young leader's development

Entering the trainee programme with a Bachelor degree, Kate Lilly underwent hands-on exposure to all parts of the SKYCITY business. In her second year Kate joined SKYCITY Adelaide where she spent eight months in Human Resources, followed by a six-month placement with VIP Services. Kate discovered a passion for gaming service and on returning to SKYCITY Auckland was appointed Area Manager on the main gaming floor. Kate now has responsibility for 12 people on any given shift. "These two years have given me a breadth of training and experience which helps me focus on the right career path," says Kate.



Training for success

SKYCITY's commitment is to help people realise their potential. We do this by providing targeted learning and development initiatives and supporting personal career goals.

SKYCITY's programmes focus on training and assessing our people within their workplace, in parallel with the work they undertake. This allows learning to be delivered efficiently, in familiar surroundings with colleagues and managers.

Developing great careers in hospitality

From fast food to fine dining, from gaming to housekeeping, SKYCITY's development programmes are playing a big role in the career growth of many young New Zealanders in the hospitality industry.

In 2006/07 we enhanced the SKYCITY Leadership Trainee Programme to meet the changing needs of the business, aiming to provide trainees with broad experience of SKYCITY and develop operational managers within two years.



Training and development - a focus on realising potential

- Senior managers across the business are exposed to world-class leadership training through Mercer Delta Consulting. The focus is on balancing leaders' personal aspirations with the evolving needs of the company.
- The New Zealand Modern Apprenticeship Scheme continues to provide a balance of practical and academic experience for the young apprentices entering the business. SKYCITY has recruited seven front-line apprentices under this scheme.
- SKYCITY is seeing the benefits of the literacy programme piloted in Auckland in 2006/07. In the coming year we will make this opportunity available to even more Auckland staff.
- SKYCITY has introduced the Level 3 NZQA qualification for security officers. To date, five people have completed the qualification and a further 77 officers will complete the qualification over the next 12 months.
- SKYCITY trains all new employees to Level 3 NZQA qualifications for table games. We intend to assess and train all existing employees against this standard so that they can gain formal recognition for their competency and achieve a nationally recognised qualification.
- SKYCITY's 'Total Rewards' strategy was revised in 2007 to ensure our internal development programmes are aligned with our business strategy and organisational values. The key principles include attraction, retention and motivation of employees, driving and recognising improved performance, and building talent within the business.



SKYCITY Dining for a Difference 2007

Opportunity for apprentice chefs second to none

SKYCITY had the privilege of being the main sponsor for Peter Gordon's gourmet extravaganza to raise money for the Leukaemia and Blood Foundation. Twelve world-renowned chefs joined Peter Gordon for the fabulous dinner that raised \$200,000. The event - SKYCITY Dining for a Difference - was also used as the platform to launch the Foundation's initiative 'Every Day Counts'.

The event also gave 13 SKYCITY apprentice chefs a once in a lifetime experience working with world-class culinary specialists. A total of 39 chefs, sous chefs and apprentice chefs prepared 1,080 dishes for the 270 guests.

SKYCITY, in conjunction with the government, launched the first Modern Apprentice chef programme in New Zealand. It has been a hugely successful programme and has continued to grow since the concept was launched in 2000.

The SKYCITY Modern Apprentice Chef Programme is a way for trainee chefs to avoid student debt by offering a full-time paid three year in-house culinary apprenticeship.

"What an unbelievable opportunity for us to work with the likes of Wellington's Al Brown, Australian Christine Manfield and Californian Govind Armstrong."

Chris Williams, apprentice to LA celebrity chef and Table 8 restaurant owner Govind Armstrong.



Commitment to a culture of safety

In 2006/07 we developed and implemented the Group-wide health and safety policy to enhance our commitments to this area as part of everyday work-life.

Our health and safety audit tool, KEA (Key Elements Assessment), was launched across the Group. Managers and supervisors from all parts of the business have worked together to enhance an organisational culture built around this.

This has seen a reduction in lost time injuries and associated claims costs.

The ACC Partnership Programme audit was completed in Hamilton and Queenstown, with the retention of ACC partnership accreditation at a secondary level. Elected health and safety representatives are offered training that enables them to gain NZQA credits towards a National Certificate in Occupational Health and Safety.





REVITALISING OUR CUSTOMER EXPERIENCE



SKYCITY Entertainment Group entertains more than 30,000 people every day, in our casinos, cinemas, hotels, restaurants and attractions.



The diversity is vast: our guests are drawn from many countries, cultures, age groups and backgrounds.

Each one has their own view of what will attract, excite and entertain them.

Yet, for all the diversity, we'd like to share with our customers a common goal: an entertainment experience that lives beyond the moment. Bringing new excitement and a more personal sense of customer engagement are essential elements of our plans.

Every point of customer contact is being reviewed and modified: what we offer, how we work together and the way we reach our guests. We want to enrich our unique range of entertainment options to meet the breadth of our customers' personal, professional, leisure and family entertainment needs.

Our aim is to have our customers return at a regular frequency that is comfortable for them. That means our priority is to continually enhance our offering, to make each visit memorable.

Enhancing our gaming areas

The \$40 million redesign of Auckland's main gaming floor is giving our customers greater choice in what they play, how they play and where.

Through our Las Vegas-based design partners, we are creating an environment that is opulent and warm, with more than a dash of Las Vegas glamour. We are shifting from a general décor to one of themed and customised 'zones', offering tailored gaming experiences.

And it is resonating with customers in Auckland: we have had a great response to our new Aces and Deli bars, and the Baccarat Room.

The work will be completed by March 2008. It is a best-in-class design by international casino standards and we are proud of the experience it will deliver.

"We are proud to be involved with this major refurbishment of SKYCITY Entertainment Group's main gaming floor in Auckland that will see the biggest casino in New Zealand transformed and modernised to the highest international standards.

"The concept design we created will provide a range of more intimate and tailored customer experiences across the floor."

Main gaming floor architects:
Friedmutter Group Architecture and Design





Bellota, SKYCITY Auckland

Lifting our game

We have been working with vendors to broaden our mix of gaming product, whilst ensuring their compliance with new regulations. Along with greater product diversity, we are undertaking new communication efforts to help customers understand which new product complements that style.

This fresh focus on individual customers' needs means we are also engaging them in new ways. We are developing new and rewarding customer experiences across different times of the day and different days of the week. We want our customers in each of our properties to feel as if they have a relevant experience waiting for them.

Some examples of this in Auckland include a very popular daytime bingo programme introduced in the Atrium, and a new 'Corporate Table' programme for company nights out, where staff can square off against the boss in a game of poker or learn table games as a group. No money is involved – it is just an entertaining way of learning something new.

We are introducing new tools and programmes to help us lift our game.

- new award-winning software by Compudigm allows us to track, in real-time, activity on the gaming floor. We can see what areas

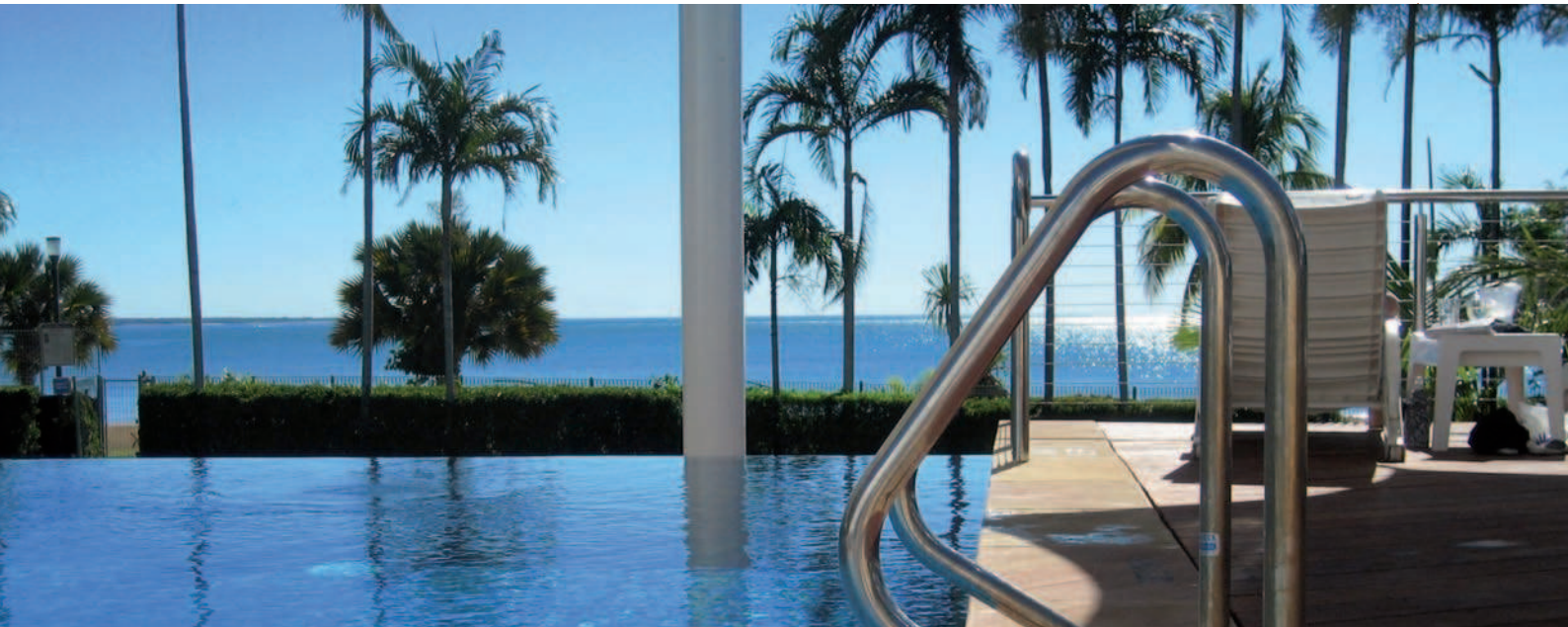
and games are most popular by time of day and how machines are performing – a living 'heatmap' of activity. This window into customer behaviour helps us to fine tune what we do and make better use of our facilities

- new customer relationship management software is, for the first time, creating a single Group-wide database of all customer contact data and associated behaviour. This detailed insight into how our customers use all our entertainment offerings across all SKYCITY's properties helps us understand customer profitability and develop more appealing and relevant marketing campaigns
- integral to this is our plan to launch an upgrade to the ACTION loyalty programme in early 2008. The focus for this is on rewarding the various entertainment experiences and enhancing the recognition of our high-value customers.

Caring for the customer

In providing a safe and enjoyable entertainment environment for customers we are creating sustainable shareholder value.

There are many strategies employed by SKYCITY to provide for customer welfare, including our leading host responsibility and harm minimisation programmes. As part of that, we are improving how we use customer loyalty data to assess risk



SKYCITY Darwin

and harm. The challenge is how to mine that data so that it supports our harm minimisation programme in a meaningful way. We are seeking international advice on this to ensure our offering is best in class.

By exploring new ways of applying this data, we can help support our customers in having a great time in a manner that is safe and responsible.

SKYCITY Darwin's A\$30 million makeover

We are bringing a fresh face to SKYCITY Darwin, with a \$30 million upgrade and extension of our existing building and facilities.

Work on the 12 month programme begins in October 2007, and is designed to open up and maximise SKYCITY Darwin's beachfront position and spectacular views over the Arafura Sea. The extensions include new decks, new restaurants and bars, and upgraded gaming facilities.

"The refurbishment will ensure SKYCITY Darwin is a world-class resort destination that attracts tourists in its own right, as well as appealing to your regular customers. The Buchan Group is delighted to work on this project and we're confident SKYCITY's customers and guests will enjoy a fresh, stylish and contemporary gaming and entertainment experience."

Connie Kontogiannis
Associate, The Buchan Group, Melbourne

Winning loyal cinema fans

SKYCITY Cinemas' loyalty programme, Film Squad, leads the industry and was a winner at the Marketing 2006 New Zealand Post RSVP Awards. As an indication of its popularity, Film Squad is set to welcome its 100,000th member following its launch in May 2006.

The SKYCITY Cinemas' website is New Zealand's leading film site, with 100,000 page impressions and 33,000 unique visitors per week.

"Film Squad has given us the ability to foster a strong community built around a shared love of the movies. From watchlists through to ratings and reviews, My Film Squad encourages movie-goers to start and finish their SKYCITY Cinemas experience online in a way that encourages the next cinema visit."

"It allows our customers to expand their movie-going experience beyond the time they spend in the cinema. It allows us to treat them as individuals, offering them the kind of features and benefits that make them want to visit our cinemas more frequently."

Matthew Liebmann
General Manager SKYCITY Cinemas

SHOWCASING OUR ASSETS

Sky Tower's 10th birthday celebration

This year our Sky Tower held a 10th birthday party that was celebrated right across New Zealand.

Photographers published stylish, inspirational and often quirky photos of the Sky Tower in its many moods and colours. We threw open our doors to the community, offering children free entrance to the Tower.

We expected 3,500 friends and families – over 10,000 came. People of every age and nationality, many of them locals, flocked to share together the unparalleled 360° views of Auckland's skyline.

"..The Sky Tower is a familiar friend. The first sight of it after trips away is comforting – like turning the key in your door after a holiday."

Greg Roughan, Sunday Star-Times,
5 August 2007

"The Tower has made itself more than the top of the Auckland skyline. Never failing to dress for the occasion and erupt in fireworks at the right moment, it has become a beacon of the city's events, a thermometer of its moods, a focus for celebrations, a point of pride."

"After ten years it would be hard to imagine Auckland without it ... it has become an icon, a generous one to the city whenever something should be celebrated."

Editorial, NZ Herald,
4 August 2007

This celebration of SKYCITY underscores who we are and what we have become: a true emblem of Auckland and New Zealand, and an integral part of the community.

The New Zealand Herald Photo Essay Competition winner Amateur photographer Mark Rosser's striking Sky Tower night-time reflection photo was named winner of the Sky Tower 10th birthday (August 2007) photo competition.



Living life on the edge

In late 2007, SKYCITY is launching a heart-stopping challenge to all thrill seekers: to walk the circumference of the Sky Tower on a narrow platform 190 metres above the ground and just 1.2 metres wide, with only a harness to keep them on track.

SkyWalk 360 will be SKYCITY Auckland's latest urban adventure, offering 100% exhilaration in 100% safety. SkyWalk 360 customers will be dressed in protective clothing and harnessed to an overhead railing. It means SkyWalkers can move freely and experience the adrenalin of being part of the Auckland skyline but in absolute security.

"SkyWalk 360 was one of the most daunting challenges I've faced to date! It's a pretty nerve-racking experience, stepping out on to a narrow causeway, suspended high above ground, with no rails, nothing to hang on to, just a safety harness. But the views are spectacular and the sheer sense of exhilaration and liberty is definitely worth the pacing and sweaty palms beforehand."

Dominic Bowden,
New Zealand Television Personality



SKYCITY's a winner!

Our leadership in entertainment has continued to be recognised and awarded across all of our properties – our restaurants, our accommodation and our staff

SKYCITY Auckland

SKYCITY Auckland has been voted the city's favourite attraction by visitors.

- Winner: SKYCITY Grand Hotel, Best Hotel in New Zealand award, HotelClub Australia and New Zealand Hotel Awards 2007
- Winner: Auckland's favourite attraction/activity, Arrival Magazine Traveller's Choice Award.
- Winner: Bellota Tapas Bar, Urbis Architectural Award
- Winner: dine by Peter Gordon, 'Best Dessert' and finalist in Metro Magazine Restaurant of the Year Awards
- Finalist: dine by Peter Gordon in Cuisine Restaurant of the Year Awards 2007
- Finalist: Orbit Restaurant, M2 Restaurant of the Year Awards
- 2006 TVNZ and the New Zealand Herald Sponsorship Awards
 - Winner: Best Provincial Sports Sponsorship Award, for SKYCITY's sponsorship of Auckland Rugby
 - Finalist: 'Best Provincial Sports Sponsorship', SKYCITY sponsorship of Auckland Racing Club
 - Finalist: 'Best First Year', SKYCITY sponsorship of Auckland Racing Club

World Travel Awards

- Finalist: Australasia/New Zealand's Leading Business Hotel - SKYCITY Grand Hotel
- Finalist: Australasia/New Zealand's Leading Conference Hotel - SKYCITY Grand Hotel
- Finalist: New Zealand's Leading Suite - The Grand Suite
- Finalist: Australasia's Leading Casino Resort - SKYCITY Auckland
- Finalist: Australia's Leading Casino Resort - SKYCITY Adelaide and SKYCITY Darwin

SKYCITY Darwin

- Winner: Best Hotel in the Northern Territory award, HotelClub Australia and New Zealand Hotel Awards 2007
- Winner: Territory Cuisine Challenge 2006
- Winner: Best Luxury Accommodation, Northern Territory's Broga Awards
- Winner: Best Tourism Restaurant and Catering Services
- Winner: Best Superior Accommodation: Australia Hotel Association Awards for Excellence 2006

SKYCITY Adelaide

- Winner: New York International Advertising Awards, for SKYCITY World Cup Soccer
- Bronze medal: 2007 Nestle Golden Chefs Hat Awards, South Australia.

SKYCITY Hamilton

- Winner: Excellence in Food Safety Awards 2006



Development for growth

- SKYCITY Hamilton expanded, with the launch of the sports bar, Zone, in October, and restaurant, Rebo, in May.
- Also in Hamilton, SKYCITY Cinemas launched its new complex, Chartwell, in May 2007. This has tapped into demand from one of New Zealand's biggest cinema-going regions.
- In November, our new sophisticated tapas bar, Bellota, opened in Auckland to rave reviews and awards.
- We announced plans for a new urban adventure for thrill seekers – SkyWalk 360 – to the international tourism industry at TRENZ.
- At SKYCITY Adelaide, we won long-sought approval to develop an underground carpark. The carpark will greatly improve the amenities the property provides and will increase convenience tremendously. High-quality carparking facilities are fundamental to any successful entertainment facility.
- Finally, we took our first steps in the expansion and upgrade of our Darwin property, in response to strong, sustained tourist demand and economic growth.

Unrivalled excellence on a Grand scale

The five star SKYCITY Grand Hotel is an oasis of luxury in the heart of Auckland City, and was recently named as one of the top three hotels in New Zealand, as voted by consumers in the 2007 HotelClub Awards.

Conceived by some of the best architectural and interior design minds in the Pacific Rim, the SKYCITY Grand Hotel has a commitment to service and excellence that is unrivalled.

Darwin becomes Australia's Belle of the Ball

SKYCITY Darwin has emerged as Australasia's unmatched leader in memorably grand-scale events. In August 2007, we hosted more than 2,800 guests at the prestigious Qantas Darwin Turf Club Gala Ball. This is Australia's largest outdoor seated event, generating attention and stature surpassing many of the top social calendar events.

This climax to SKYCITY Darwin's Season of Sunsets and Stars saw guests enjoy a sumptuous buffet prepared by SKYCITY Darwin's award-winning chefs, an incredible fireworks display and entertainment under the stars amidst the tropical beachside gardens at SKYCITY Darwin. And this was just one of the great grand-scale events of the year. Others included:

- the V8 Supercars convoy
- the Sunset Jazz series, which this year included jazz legend James Morrison
- the Ninth Annual Winemakers Dinner series
- a return engagement for the Acrobatic Troupe of Imperial China
- the Arafura Games, featuring a spectacular closing ceremony.

SKYCITY Darwin Belle of the Ball, August 2007

Adelaide hosts World Series of Poker Satellite tournaments

SKYCITY Adelaide has long been known as the capital of poker in Australia, and is the only South Australian venue in which poker can be played with cash. Players and enthusiasts flock in from all over the country for the various tournaments and events held at the casino.

In recognition of the passion for the game, the Adelaide property has, for the last two years held the World Series of Poker Satellite (WSOP) tournaments. The WSOP is the world's richest poker tournament, with prize winnings of up to US\$12 million. It is open to qualifiers from around the world, and Adelaide's official tournament serves as a feeder for the event.

SKYCITY Adelaide is widely regarded by many as the original 'Home of Australian Poker' since the Adelaide Casino first introduced Texas Hold'em to Australia in 1987. The venue has hosted many of Australia's top international players during major tournaments, including Joe Hachem.

Since then, the sport has seen enormous growth. In response to customer interest and demand, the casino has been busy with further enhancements, expanding its Poker Zone playing area and introducing an array of new tournaments, including a 'Ladies Only' Series, all in response to the ever-growing poker craze in the country and around the world.





Auckland offers World Class Convention Centre

SKYCITY has world-class facilities – and we want to make sure the world knows about it.

SKYCITY Auckland Convention Centre is the most advanced in New Zealand – our exhibition, conference and banqueting facility cannot be matched for the scale and range of facilities. We are now actively marketing the convention centre internationally, and this year won several 500-plus corporate and association conferences, with more in the pipeline. Examples in 2007 included:

- The 'Big Boat Dinner' 1,000 passengers from the visiting QE2 ship
- The Westpac Halberg Awards - New Zealand's premier sporting awards - 800 guests
- Assorted real estate conferences: Harcourts - 900 guests, Bayleys - 550 guests, Barfoot & Thompson - 1700 guests, Harveys - 300 guests, Ray White - 750 guests
- Microsoft Tech Ed (third year with SKYCITY) – 1,900 guests
- Intel Solutions Summit - 700 guests
- Bakers Delight event for 1,000 Australian and New Zealand delegates

DID YOU KNOW

Since opening in 2004, SKYCITY Auckland Convention Centre staff have served more than 60,000 kilograms of beef fillet, 240,000 litres of mineral water, used 339,000 linen tablecloths, and spent more than 9,000 hours polishing cutlery and glassware.

This year, we have proactively marketed our outcatering service, which has resulted in catering for international performing arts troupe Cirque du Soleil and securing the Auckland Museum events contract.

- Allstate Insurance Canada - 250 Canadian conference delegates on their first trip to New Zealand
- Harley Davidson POT Group 'private officer training' conference for 250 Harley owners, with new bikes on display
- SKYCITY Dining for a Difference - 270 guests, 13 chefs cooking four courses for two tables each, over \$200,000 raised for the Leukaemia and Blood Foundation
- Starship Ball - 450 guests, over \$100,000 raised for the Starship Children's Hospital Foundation
- In the Pink - 660 guests, over \$100,000 raised for the NZ Breast Cancer Foundation
- MEETINGS 07 - the leading New Zealand conference and incentives industry forum
- Retail and media launches of the new second generation BMW X5 which included craning two cars seven storeys into the air, up and over the Convention Centre and on to the Level 7 Terrace of the SKYCITY Grand Hotel.




From top right: The New Zealand Room; The Starship Charity Ball; Dining for a Difference



**CARING FOR
CUSTOMER
WELFARE**





SKYCITY is committed to providing a safe and enjoyable environment for its customers. We work hard to be a successful, sustainable and socially responsible business that provides popular entertainment choices without harm. Preventing and minimising gambling and alcohol-related harm is a critical part of SKYCITY's focus on caring for our customers' welfare.

Our business is highly regulated and carries strong social responsibilities. We will continue to prioritise this part of the business and to enhance our practices.

We believe we must demonstrate leadership in meeting, and exceeding, our obligations for the future of our business, our brand, and our communities.

And our efforts are working. At a recent hearing of the New Zealand Gambling Commission, it was noted that the Auckland Host Responsibility Programme is “impressive” and, by national and international comparison, “the best they’ve seen”.

We have been working behind the scenes to create a solid foundation of policies, and to get a range of new initiatives under way that assist customers to gamble and consume alcohol safely and to ensure they receive appropriate assistance if they are experiencing problems.

Providing a safe and enjoyable entertainment environment

To ensure customers enjoy themselves in a safe environment considerable effort goes on behind the scenes to deliver the right training and support for employees, to provide effective security and surveillance with follow-up investigations when required, and to operate an effective host responsibility programme.

Loan-sharking has been identified as a broader community problem which needs a greater focus through closer co-operation between government agencies, problem gambling treatment services, communities, and the gaming industry. The Department of Internal Affairs (DIA) has highlighted the challenge of identifying loan

sharking behaviour and the need for collaborative solutions, which SKYCITY wholeheartedly supports. SKYCITY is proactive in this area with a formal policy and procedures to follow when illegal or undesirable activity is suspected or identified. We will promptly investigate any such activity and seek a close working relationship with DIA's casino inspectors and the police on these issues. In 2007/08 we will be undertaking a review of security and surveillance practices so that we can identify opportunities to keep improving our effectiveness in this area. We welcome the chance to work more closely with the sector so we can all do better.

The Harm Minimisation Framework

The Harm Minimisation Framework is SKYCITY's statement of our commitment to preventing and minimising gambling and alcohol-related harm, and how this is to be achieved through a strategic, co-ordinated approach over the long term. The Framework draws on the latest research and international public health models and extends well beyond the company's legal obligations. It has been developed with extensive input from across the business and from external stakeholders. The emphasis is on both preventing harm from occurring in the first place so customers are able to gamble responsibly, and minimising harm when it is occurring through early identification and effective host responsibility interactions.

Measuring and demonstrating the success of these initiatives is critical. This year SKYCITY commissioned an independent evaluation of its Adelaide host responsibility programme by external research agency Evolution Research. Their report identified some opportunities for improvement (which will be addressed), as well as a number of strengths as referred to below:

“...the service has enhanced the organisation's credibility as a responsible host. In addition, the staff in the programme are highly regarded by internal and external stakeholders.”

“Host responsibility contributes to sustainable business.”

New developments in host responsibility

As part of its Harm Minimisation Framework, SKYCITY has developed a tool that provides a more systematic way of assessing the level of risk or harm that a customer may be experiencing. This assessment is then matched with a timely and appropriate response from host responsibility. This could be something quite informal such as speaking with the customer on a one to one basis – often this is all that is required and customers appreciate the enquiry – to an escalated response when the concern is more serious. This could lead to the customer acknowledging there is a problem and agreeing to be excluded for a period of up to two years.

The company’s Escalation Response Model clearly identifies the components we need to have in place in order to get host responsibility right:

- collect the right information to make informed assessments

- follow sound policies and processes
- train staff, particularly on how to identify the warning signs
- provide useful information for customers and staff, and
- evaluate what we do so we can always do better.

Staying at the cutting edge

The key projects within the Harm Minimisation Framework for the coming year include:

- loyalty data is being reviewed by international experts who will provide advice about how we can apply this information more proactively and accurately to assess whether a customer is at risk of experiencing harm
- staff training will be increased – both the theory in the classroom and on-the-job practice
- new and better information resources about responsible gambling and seeking help will be developed and provided through a range of channels, for customers and staff, and
- an integrated, incident noting and tracking system will be implemented.



New developments regarding responsible service of alcohol

Responsible service of alcohol continues to be a key area of focus within the business. This year we collaborated on a range of inter-sectoral initiatives, with positive feedback from customers and the relevant agencies and a special award. Highlights included:

- SKYCITY Hamilton's introduction of 'yellow and red penalty cards' into the Zone sports bar
- SKYCITY Adelaide's active participation in the local Central Business District Liquor Accord
- the 'designated driver campaign' for SKYCITY customers in Auckland, and
- SKYCITY Darwin won the Northern Territory award for Responsible Service of Alcohol.

"Life's sweet - Drive sober"

In this campaign for the Auckland community, SKYCITY encouraged designated drivers to stay sober by offering them free non-alcoholic drinks while on SKYCITY's premises over the Christmas, Easter and Queen's Birthday periods.

SKYCITY worked with Auckland City Council, Auckland Police and Coca-Cola to create a campaign connecting staff and customers with positive host responsibility messages. The success of the Auckland campaign has inspired similar initiatives at other SKYCITY sites in New Zealand.

"Working together to give people a 'Drive Sober' message was paramount. SKYCITY Auckland has over 18 bars and restaurants plus convention facilities and large CBD car parks, so they created huge momentum behind this campaign. We look forward to partnering with SKYCITY on future projects."

Claire Dixon
Senior Road Safety Co-ordinator
Auckland City Council





SKYCITY
Be a STAR for Starship



CONNECTING WITH OUR COMMUNITIES

SKYCITY Starlight Symphony volunteer



SKYCITY believes in sharing the excitement and spirit of our customer experiences with our communities.



We create opportunities for celebration.

Whether it is a winning game for SKYCITY-sponsored rugby teams in Auckland and Waikato, lighting up the community for Diwali, or cheering on the winner of the SKYCITY Adelaide Cup, we are there - supporting, sharing, and creating memorable experiences.

Along with the celebrations, we are listening, identifying, and contributing to areas of need. SKYCITY is finding meaningful ways to support important causes that make a difference in our communities.

We are also making a difference at a grassroots level, which we do through the SKYCITY Community Trusts and our local community relations programmes.

In 2006/07 SKYCITY's three independent Trusts in New Zealand made 253 grants, totalling \$2,907,207.

Trust contributions to date total \$19.5 million excluding problem gambling levies.

Through Community Trusts in Auckland, Hamilton and Queenstown, SKYCITY provides grassroots support for many causes important to our local communities and through local community work in Adelaide and Darwin.

SKYCITY Partnerships in 2006/07

Auckland

Air NZ New Zealand Screen Awards
Auckland Festival AK07
Auckland Rugby Union - Air NZ Cup and Super 14
Auckland Rugby Union SKYCITY Cheer team
Celebrity Joker Poker
Chinese Singing Idol
Diwali Festival of Lights
Kidz First Children's Hospital
Miss Chinese NZ Pageant
New Zealand Breast Cancer Foundation
People's Choice Awards
SKYCITY Auckland Cup
SKYCITY Starlight Symphony
SPCA
Starship Children's Hospital
The Lantern Festival
The Leukaemia and Blood Foundation
Tourism Rendezvous New Zealand
V8 Supercars
Vodafone Warriors
Women in Film and Television Awards

Hamilton

New Zealand Breast Cancer Foundation
Te Rapa Raceway
Waikato Rugby Union - Air NZ Cup and Super 14

Adelaide

Adelaide Crows AFL team
Flinders Medical Research Foundation
McGuinness McDermott Foundation
Port Power AFL team
SKYCITY Adelaide Cup
SKYCITY Magic Millions

Darwin

AFL Northern Territory
Arafura Games
Darwin Turf Club Gala Ball
SKYCITY Challenge - NBL - Perth Wildcats
SKYCITY NT Derby Day
SKYCITY Sunset and Stars
SKYCITY V8 Supercar Triple Crown Darwin

Queenstown

National Rugby Sevens
Queenstown Gay Ski Week
Queenstown Jazz Festival
Queenstown Winter Festival
Rocky Horror Picture Show, Rent and Cabaret Productions

Cinemas

Walking School Bus Programme
Te Omanga Hospice



All Black Doug Howlett and party goer, Kidz First Christmas Party

SKYCITY Community Trust Grants 2006/07 Kidz First – Auckland Rugby collaboration

SKYCITY is a founding sponsor of Kidz First Children's Hospital through the South Auckland Health Foundation. Since 2000 we have worked alongside Kidz First to tackle significant community challenges, including burns prevention and the improvement of oral health in the South Auckland community. SKYCITY's support for Kidz First includes the annual Kidz First Patient Christmas Party, special fundraising projects and grants from the SKYCITY Auckland Community Trust.

SKYCITY is long-term partner of Auckland Rugby, a partnership that has helped increase visitation and revenue to the business while supporting the development of rugby at all levels. SKYCITY's relationship with Auckland Rugby was recently recognised as the Best Provincial Sports Sponsorship at the 2006 TVNZ/NZ Herald Sponsorship Awards.

We identified and facilitated an opportunity for collaboration between these two great partnerships: SKYCITY works with Auckland

Rugby to support Kidz First through combined events and initiatives including Auckland Rugby players acting as mentors for Kidz First 'Centre for Youth Health' teenagers, 'Kick for Cash' match events and SKYCITY staff collecting on behalf of Kidz First during home games.

Giving kids the chance to be kids

Funding from the SKYCITY Auckland Community Trust assisted the Starship Foundation in purchasing insulin pumps, a relatively new way of administering insulin to children with type one diabetes. Twenty-five children have been given a chance to lead healthy, active lives, free from the constraints imposed by their condition. The pumps provide more effective control of their condition and lead to a better quality of life.

"The insulin pump means Oliver can live like a normal eight year old. It's much easier for him to be away from us and stay with friends, like other boys his age are able to do..."

Hilary Van Lent, mother of Oliver, an eight year old with type one diabetes



Moko Hamiora and his daughter Hemohaere Bishop, Volunteering Waikato

Improving the lives of the young

SKYCITY Hamilton Community Trust helped to fund a father and daughter's efforts to steer at-risk school students in the right direction. The Trust grant to Volunteering Waikato funded the main prize for Moko Hamiora and his daughter Hemohaere Bishop for dedication to improving the lives of young people. They were nominated for the Volunteer Excellence Awards by Hamilton's Fraser High School, where they work, unpaid, every day.

"The funding from SKYCITY Hamilton Community Trust has enabled us to ensure that our unsung heroes are recognised, volunteers carry out numerous tasks in many parts of Hamilton, simply because they enjoy helping others..."

Carol Anderson,
Manager of Volunteering Waikato

Art therapy helps Hospice Waikato

Last year Hospice Waikato cared for 500 patients who were living with a terminal illness. As part of Hospice philosophy, holistic care is provided to help families deal with the loss of a significant person in their lives. Art therapy is a method used to help patients and families express their concerns, share anxieties and work through the grieving process. Hospice Waikato offers regular art workshops, where patients and their families, no matter how ill, work together on projects such as mosaics and paintings.

SKYCITY Hamilton Community Trust provided a boost to the arts programme with a grant of \$7,500, which went towards arts supplies.

"We are extremely grateful to SKYCITY as their grant has meant that we can continue to support Hospice patients and their families throughout their illness..."

Elizabeth Bang, CEO of the Waikato
Community Hospice Trust



SKYCITY Massed Choir, SKYCITY Starlight Symphony

Closing the learning gap of autism

Funding from the SKYCITY Queenstown Casino Community Trust gave a positive boost to learning programmes for children with autism. The Central and Southern Autism Support Group assists families with autistic children, sharing resources and ideas. A grant of \$3,200 went towards registered psychologists designing and developing individual learning programmes for eight children in the Queenstown district area.

“The funding provided by SKYCITY has given us invaluable professional learning and development support for our kids...”

Jo Wright, parent and member of The Central and Southern Autism Support Group

A new approach to childhood obesity

A new Children’s Weight Management Clinic has been launched at the Flinders Medical Centre in South Australia, supported by a \$100,000 sponsorship from SKYCITY Adelaide. The clinic, which is the first of its kind in South Australia, is seeking to intervene early to prevent

the long-term health problems created from childhood obesity. The clinic’s nutritionists, physiotherapists, psychologists and nursing staff offer an eight-week programme which educates the whole family on healthy lifestyle, food options and exercise programmes, and includes ongoing monitoring and support. For SKYCITY Adelaide, this represents a proud and important investment in the future of its community.

V8 Supercar ceremony fulfils special wish

Two young men had their boyhood dream become reality, when SKYCITY Darwin invited them to join the welcoming celebrations for the V8 Supercar Championship series. Tim and Derek, who both have life-threatening conditions, are passionate about V8 Supercars, which is the highlight of the Northern Territory’s sporting calendar. Through the Make a Wish Foundation, they were able to form part of the welcoming SKYCITY Triple Crown Convoy as it drove through the streets of Darwin, driving alongside their sporting heroes in the SKYCITY Darwin limousine.



Gahu, Queenstown Jazz Festival

Queenstown Jazz Festival

With a \$6,000 grant from the SKYCITY Queenstown Community Trust, this long-running live music event was expanded by ten extra days, benefiting thousands of listeners and musicians. The Festival is organised and run by a local charitable trust with the objective of involving, encouraging, entertaining and inspiring through live music.

“The grant meant we could keep ticket prices down so that thousands more people from Queenstown and the wider community were able to enjoy the 2006 festival...”

David Cole, Festival Organising Committee

Canine guides and companions

SKYCITY Auckland Community Trust granted over \$40,000 to two organisations which train a special group of dogs and who provide guidance, support, help and friendship to members of our community.

Over \$22,000 was given to the Royal New Zealand Foundation of the Blind to breed, train and match guide puppies to clients. Guide dogs assist blind people to get around independently, confidently and safely.

Over \$18,000 was awarded to the Mobility Assistance Dogs Trust for a vehicle for transporting puppies in training. This Trust provides mobility dogs for people with physical disabilities and they train the puppies and then match clients with a suitable dog. The dogs learn great skills including opening doors, getting the phone, activating an alarm if required and even turning on the washing machine.

SKYCITY Auckland Community Trust Grants 2006/07

SKYCITY Auckland Community Trust \$2.3 million to 109 diverse local community groups

Grants included:

- \$50,000 to the Foundation for Youth Development to set up a Project K programme in low-decile schools around the central Auckland area
 - \$115,000 to the Starship Foundation towards the cost of rebuilding the Oncology Unit at Starship Children's Hospital
 - \$70,000 to The Museum of Transport and Technology (MOTAT) towards the upgrade of the Museum's science exhibition
- Adventure Specialties Trust
 - Age Concern Counties Manukau
 - Age Concern Mid North
 - Allergy New Zealand
 - Amitabha Hospice Service Trust
 - Amputee Society of Auckland and Northland
 - Arthritis New Zealand
 - Asthma New Zealand - The Lung Association
 - Auckland Children's Christmas Parade Trust
 - Auckland Dance Festival Trust
 - Auckland Gay and Lesbian Welfare Group
 - Auckland Land Search and Rescue
 - Auckland Malaysian Society
 - Auckland Somali Community Association
 - Autism NZ - Auckland Branch
 - Awataha Marae
 - Bailey Road Primary and Intermediate School
 - Bay of Islands Vintage Railway Trust
 - Bring It On
 - C.A.R.E. Waitakere Trust
 - Cantonese Opera Society of NZ
 - Carlson School for Cerebral Palsy
 - CCS Auckland
 - Central Auckland Parent Centre
 - City of Manukau Education Trust
 - Classic Yacht Charitable Trust
 - Communicare CMA
 - Computer Clubhouse Trust
 - Far North Palliative and Cancer Care Charitable Trust
 - Foundation for Alcohol and Drug Education
 - Foundation for Youth Development
 - Friendship Centre Trust
 - Girl Guides Association of NZ
 - Grey Lynn Primary School
 - Hearing Dogs for Deaf People New Zealand
 - Herne Bay Play Centre
 - Home and Family Society
 - Island Child Charitable Trust NZ
 - Jane Gifford Restoration Trust
 - Kaitaia Gymnastic Club
 - Kerikeri Community Toy Library
 - Kerikeri Retirement Village
 - KidsCan Charitable Trust
 - Leukaemia and Blood Foundation of New Zealand
 - Life Education Trust - South East Auckland
 - LifeLine Auckland
 - Lopdell House Society
 - Manaia School
 - Mercy Missions Trust
 - Mobility Assistance Dogs Trust
 - Monte Cecilia Housing Trust
 - Motutapu Outdoor Education Trust
 - Mt Richmond Special School
 - Multiple Sclerosis Auckland
 - New Zealand National Maritime Museum
 - New Zealand Parent Teacher Association
 - New Zealand Sign Language Teachers Association
 - New Zealand Taishan Chinese Association
 - North Shore Hospice Trust
 - North Shore Hospital Foundation
 - North Shore LIFE Centre
 - North Shore Multiple Sclerosis Society
 - Opera in the Park Limited
 - Opononi Area School
 - Outward Bound Trust of New Zealand
 - Pacific Culture and Arts Exchange Centre
 - Papakura Toy Library
 - Parent Aid Waitakere
 - Parents Inc.

SKYCITY Hamilton Community Trust Grants 2006/07

- Play and Learn Education Trust
- Refugees as Survivors New Zealand
- Relationship Services
- Royal New Zealand Plunket Society (Thames Valley)
- Sir Peter Blake Marine Education and Recreation Centre
- South Auckland Rangers Association Football and Sports Club
- SPELD Manukau City
- St. Patrick's Cathedral Heritage Foundation
- Starship Foundation
- Storylines Children's Literature Charitable Trust of New Zealand
- Surf Life Saving Northern Region
- TaPasefika Health Trust
- Te Au Vaine Takitumu Trust
- Te Kotuku Ki Te Rangi Charitable Trust
- Teenadders
- Thames Womens Resource Centre
- The Brain Injury Association of Auckland
- The Centre at Kerikeri
- The House of Bethany
- The MARCO Trust
- The Museum of Transport and Technology (MOTAT)
- The NBR New Zealand Opera
- The Neurological Foundation of New Zealand
- The Northern Cochlear Implant Trust
- The Operating Theatre Trust
- The RNZYS Youth Training Programme
- The South Auckland Health Foundation
- The Southern Cross Korean Performing Arts Group
- TYLA Trust
- Unitec New Zealand
- Waikowhai Scouts
- Waipu Playcentre
- Waitakere Branch of the New Zealand Society of Genealogists
- Waitakere Community Outreach
- Wellsford Plunket Toy Library
- West Auckland Hospice Homecare
- Western Refuge Society
- Wings Trust 1986
- Women's Refuge Auckland
- WONS: Nursing, Education and Health

SKYCITY Hamilton Community Trust \$492,022 to 120 diverse local community groups

Grants included:

- \$25,000 to Pohlen Foundation Trust for the purchase of a new endoscope machine
- \$10,000 to Waikato River Trails Trust for the construction of a bridge to improve accessibility to the Waikato River Trails by disabled persons
- \$10,000 to Taiohi Toa Trust for their Big Brother Big Sister programme to reduce youth offending

Promotion Services

- Age Concern Hamilton
- Aotearoa Maori Tennis Association
- Arya Samaj Waikato
- Autism NZ Waikato Branch
- Awhina Society
- Balloons over Waikato Charitable Trust
- Birthright (Waikato)
- Business and Professional Women Huntly and District Club
- Cambridge Brass Band
- Campus Services Ltd, University of Waikato
- Cochlear Implant Foundation of NZ
- Coromandel Flying Club Society
- Counselling Services North King Country
- Country Section NZ Indian Assoc
- Drury Lane Youth in Performance Group
- Eastern Bay of Plenty Scout District
- Endometriosis Waikato
- ESOL Home Tutors (Waikato)
- Fairfield Amateur Swimming Club
- Future Te Aroha
- Goldfields Railway Society
- Habitat for Humanity (Waikato)
- Hamilton Abuse Intervention Project
- Hamilton BMX Club
- Hamilton Budgeting Advisory Trust

SKYCITY Hamilton Community Trust Grants 2006/07 continued

- Hamilton Floral Art Club
- Hamilton Gardens Summer Festival Foundation
- Hamilton Multicultural Services Trust
- Hamilton Operatic Society
- Hamilton Refuge and Support Services
- Hamilton Rowing Club
- Hamilton Yacht Club
- Healing and Rape Crisis Centre
- Huntly Community Advice Centre
- Invitation to a Voyage Trust
- Kawerau Blue Light Venture
- Kawhia Tourism
- Kihikihi Waikato Eventing
- King Country Search & Rescue Organisation
- Lifeline Waikato
- Link House Agency
- Mairoa History Committee
- Maori Women's Welfare League
- Matamata Community Resource Trust
- McKenzie Centre
- Morrinsville Community House
- Multiple Sclerosis Waikato Trust
- Nga Mana Toopu o Kirikiriroa Trust
- Ngaruawahia Community Care and Crisis Support
- North Waikato Blue Light Venturers
- Northern Daffodil Club
- Order of St John Midland
- Otorohanga Zoological Society
- Overdale Community Centre
- Parenting with Confidence
- Parentline Charitable Trust
- Philips Search and Rescue Trust
- Piako Brass Band
- Piopio College
- Pohlen Foundation Trust
- Pokuru School
- Positive Paeroa
- Pride in Putaruru
- Prisoner's Aid and Rehabilitation Society of the Waikato District
- Project Kiwiana Festival
- Rahui Pokeka Maatua Whangai Trust
- Raglan Community Arts Council
- Raglan Community Vehicle Trust
- Riverlea Theatre
- Rostrevor House
- Sri Lankan Friendship Society Waikato
- Synergy Trust
- Tainui Waka Cultural Trust
- Taiohi Toa Trust
- Tairua Information and Community Services Society
- Taranaki Safer Family Trust
- Taupo Budget Advisory Services
- Te Araroa Waikato
- Te Aroha & District Museum Society
- Te Aroha & Districts Riding for the Disabled
- Te Aroha Mountain Railway Society
- Te Aroha Springs Community Trust
- Te Awamutu Competitions Society of the Performing Arts
- Te Kohango Reo o Nga Kuaka
- Te Kuiti Swimming Pool
- Te Puru School
- Te Runanga o Kirikiriroa
- Te Whakaruruhau Refuge
- Te Whare o Te Ata/Fairfield Chartwell Community House
- The Altrusa Club of Hamilton
- The Bush Tramway Club
- The Institute of Child Protection Studies
- The Pacific Rose Festival Trust
- The Refugee Orientation Centre Trust
- True Colours Charitable Trust
- United Nations Association of NZ (Waikato)
- United Youth Orchestra
- Victoria Battery Tramway Society
- Volunteering Waikato
- Waihi Beach Life Guard Service
- Waihi Community Resource Centre
- Waihi Drama Society
- Waihi Summer Festival
- Waikato Asthma and Respiratory Society
- Waikato Community Broadcasting Charitable Trust
- Waikato Community Hospice Trust
- Waikato Family Centre Trust
- Waikato Hospital Chaplains

SKYCITY Queenstown Community Trust Grants 2006/07

- Waikato Orchestral Society
- Waikato Paraplegic and Physically Disabled Association
- Waikato River Trails Trust
- Waikato Rowing Club
- Waikato Society of Arts
- Waikato Winter Show Association
- Whakatane Astronomical Society
- Whiritoa Rural Volunteer Fire Force
- Whitianga Community Services Trust
- Xtreme Waste Society
- Young Women's Christian Association of Hamilton

SKYCITY Queenstown Casino Community Trust. \$95,022 to 24 diverse local community groups

Grants included:

- \$10,530 to Wakatipu Search and Rescue to equip their team with highly visible Goretex jackets and pants
- \$2,500 to the Arrowtown Village Association to rebuild the historic Sawpit Gully walking track
- \$6,000 to the Queenstown JazzFest Trust for its 2006 community festival

- Alheimers Society Southland
- Arrowtown Village Association
- Barnardos Southland
- Central and Southern Autism Support Group
- Destination Queenstown (Winter Festival)
- Frankton Volunteer Fire Brigade
- Happiness House
- Makarora Valley Community
- Public Sculpture Trust of Queenstown
- Queenstown Lakes Family Centre
- Queenstown Playcentre
- Southern Lakes Arts Festival Trust
- Southern Lakes Diabetes Youth
- St John Wakatipu
- The Gibbston Community Association
- The Queenstown JazzFest Trust
- Upper Clutha Women's Support Group
- Wakatipu Abuse Prevention Network
- Wakatipu District Youth Trust
- Wakatipu Kindergarten
- Wakatipu Performance Festival
- Wakatipu Search and Rescue
- Wakatipu Toy Library
- Wakatipu Victim Support

CORPORATE GOVERNANCE







SKYCITY's corporate governance framework is fully detailed in the investor centre section of the company's website at www.skycitygroup.co.nz

The board charter is the principal specification of the governance framework within which SKYCITY conducts its affairs.

The board charter and its supporting charters and policy documents (refer below) combine together to comprise SKYCITY's governance framework. These documents can be accessed on the company's website.

- 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

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 and on the following pages, 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

SKYCITY's procedures are designed to:

- enable the board to provide strategic

guidance for the company and effective oversight of management,

- clarify the respective roles and responsibilities of board members and senior executives in order to facilitate board and management accountability to both the company and its shareholders, and
- ensure a balance of authority so that no single individual has unfettered powers.

The board establishes the company's objectives, the major strategies for achieving those objectives, 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.

The board has responsibility for the affairs and activities of the company, which in practice is achieved through delegation to the chief executive officer and others (including SKYCITY-appointed directors on subsidiary company boards) who are charged with the day-to-day leadership and management of the company. The chief executive officer also has responsibility to manage and oversee the interfaces between the company and the public and to act as the principal representative of the company.

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

2. STRUCTURE THE BOARD TO BE EFFECTIVE IN DISCHARGING ITS RESPONSIBILITIES AND DUTIES

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

- have a sound understanding of, and competence to deal with, the current and emerging issues of the business
- effectively review and challenge the performance of management and exercise independent judgement, and
- assist in the selection of candidates 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 and are subject to re-election by shareholders in accordance with the rotation requirements of the NZX and the ASX.

The non-executive directors elect the chairpersons of the board and its committees. 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.

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.

Director independence

The board charter requires that the board contains a majority of its number who are independent directors. SKYCITY also supports the separation of the role of board chairperson from the chief executive officer position. 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 21 June 2007 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 are independent. On 25 June 2007 Elmar Toime was appointed Executive Director and is not independent under the NZX and ASX definitions.

At its 21 June meeting, the board noted that, under the ASX Independence Guidelines, each of the non-executive directors except Mr Trotter (and subsequently Mr Toime) 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 entitled to obtain independent professional advice (at the expense of the company) on any matter relating to their responsibilities as a director or with respect to any aspect of the company's affairs, provided they have previously notified the board chairperson of their intention to do so.

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

Board committees

The board has 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 are subject to formal review by the board on an annual basis.

The following table shows attendances at board and committee meetings by directors during the year ended 30 June 2007.

	Board	Audit & Risk	Governance & Remuneration	Nomination
Number of meetings held	8	4	3	1
Rod McGeoch	8		3	1
Patsy Reddy	8		3	1
Sir Dryden Spring	8	4		1
Elmar Toime	7	4		1
Bill Trotter	8		3	1
Evan Davies (resigned 25/6/07)	8			1
Rob McLeod (retired 30/6/07)	8	4		1

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.

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, community groups and employees.

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.

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.

Officers of the company (currently comprising 14 senior executives) must formally disclose their SKYCITY shareholdings and other securities holdings to the NZX within five business days of any change in their holding of such securities.

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

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, two of whom are independent non-executive directors and Mr Toime who is an executive director on a temporary basis until a new chief executive officer has been appointed. All members of the Audit and Risk Committee are 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 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 2006/07 year are set out in note 6 to the financial statements. Fees for audit and tax compliance work in the 2006/07 year represent 55% of total PricewaterhouseCoopers fees.

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.

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.

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.

7. RECOGNISE AND MANAGE RISK

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

SKYCITY maintains an independent, centrally-managed internal audit function which evaluates and reports on financial, operational and management controls across the Group. The function is resourced jointly by SKYCITY and Ernst and Young.

The Audit and Risk Committee approve the internal audit programme, with results and performance of the control environments regularly reviewed by both the committee and the external auditors.

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

8. 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 board and committee charters require an evaluation of the board and the committee

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 performance review of the board for 2006 was conducted by the chairman of the board (Rod McGeoch) during the November/December 2006 period. The review involved a formal response/feedback process with a one on one meeting involving the chairman and each director individually. The chairman reported the findings of the review to the December Nomination Committee and board meetings.

The Governance and Remuneration Committee undertakes the performance review of the chief executive officer and those reporting directly to that position in accordance with the company's performance review procedures. These performance reviews are reported to the board for final approval.

9. REMUNERATE FAIRLY AND RESPONSIBLY

The Governance and Remuneration Committee's responsibilities include the review of SKYCITY's remuneration policies and procedures.

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

Shareholders at the annual meeting determine the total remuneration available to non-executive directors. At the 2006 annual meeting, shareholders approved, effective from 1 July 2006, a total remuneration amount for non-executive directors of \$750,000 per annum (plus GST if any).

Fees are currently \$90,000 for non-executive directors, \$200,000 for the chairperson of the board, an additional \$20,000 for Audit and Risk, and Governance and Remuneration committee chairpersons and an additional \$10,000 for members of those two committees.

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.

Managing Director/Executive Director remuneration

Remuneration details for Evan Davies, Managing Director until 25 June 2007, and Elmar Toime, Executive Director from 25 June 2007, are included in the disclosures section of this annual report at page 132.

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.

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). 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 shares components of a PPI bonus are issued in three equal tranches over a two year period.

For the 2006/07 year, a total of 325 SKYCITY salaried personnel received PPI bonuses totalling \$1.95 million (an average bonus payment of \$5,985 per bonus-earning 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.

For the 2006/07 year 2,160 waged employees received total CEI bonuses of \$853,200 (an average bonus payment of \$395 per bonus-earning participant).

Equity-based executive remuneration: Long-term incentive

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 25 senior executives. Rights are issued as a long-term incentive to encourage retention and value creation. 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 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 to the NZX and the ASX for the financial year to 30 June. The base exercise price is escalated 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. The Rights Plan provides the same incentive for the senior executive group as the Options Plan (refer below) but results in a

reduced number of shares being issued for the equivalent benefit. The Rights Plan, which was approved by the board in December 2004, is for a three year period to 30 June 2008.

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.

10. RECOGNISE THE OBLIGATIONS TO ALL STAKEHOLDERS

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

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

SKYCITY is aware that its business may be associated with gambling and alcohol-related harm for some customers. Effective and pro-active customer care are the cornerstone principles of SKYCITY's approach to host responsibility which and is discussed in the Caring for Customer Welfare section of this annual report.

COMPLIANCE

SKYCITY confirms that, other than as set out below, it has complied with the NZX Corporate Governance Best Practice Code and the ASX Corporate Governance Principles and Best Practice Recommendations during the 2006/07 year.

- 
- 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 ASX Corporate Governance Principles and Best Practice Recommendations and NZX Corporate Governance Best Practice Code recommend that all members of the Audit and Risk Committee be non-executive directors. Mr Toime, who has been a member of the Audit and Risk Committee since 1996 was appointed Executive Director on 25 June 2007 on a temporary basis until a new chief executive officer is appointed. The company believes Mr Toime's experience is valuable to the committee and that his temporary appointment as Executive Director does not affect the operation or independence of the committee. Mr Toime is not the chairman of the Audit and Risk Committee and the other two members are non-executive directors.
 - 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, is a preferred structure in that the number of new shares that will be issued (for the same benefit to executives) 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.



A hand-drawn sketch in white lines on a dark blue background. The sketch depicts a building facade with a grid pattern of windows. A prominent wavy line runs diagonally across the lower left portion of the image. The word 'FINANCIALS' is written in a large, bold, white, outlined font across the center of the image.

FINANCIALS

SUMMARY EARNINGS STATEMENTS

YEARS ENDED 30 JUNE

	2007 \$000	2006 \$000	MOVEMENT %
SKYCITY Auckland			
Gaming revenue	315,238	334,761	-5.8%
Non-gaming revenue	102,382	92,685	+10.5%
Total revenue	417,620	427,446	-2.3%
Earnings before interest, tax, depreciation and amortisation	209,073	227,095	-7.9%
Depreciation and amortisation expenses	(41,259)	(39,472)	+4.5%
Earnings before interest and tax	167,814	187,623	-10.6%

Auckland figures exclude corporate/unallocated costs. The 2006 figures have been restated to be consistent with the 2007 presentation. Corporate/unallocated costs net of interest received were \$25.0 million (FY06 \$26.3 million).

	2007 \$000	2006 \$000	MOVEMENT %
SKYCITY Hamilton			
Gaming revenue	33,298	29,749	+11.9%
Non-gaming revenue	6,398	5,160	+24.0%
Total revenue	39,696	34,909	+13.7%
Earnings before interest, tax, depreciation and amortisation	19,568	17,368	+12.7%
Depreciation and amortisation expenses	(4,835)	(4,318)	+12.0%
Earnings before interest and tax	14,733	13,050	+12.9%

	2007 \$000	2006 \$000	MOVEMENT %
Other New Zealand Operations			
Gaming revenue	6,459	4,909	+31.6%
Non-gaming revenue	85,518	44,022	+94.3%
Total revenue	91,977	48,931	+88.0%
Earnings before interest, tax, depreciation and amortisation	23,549	14,405	+63.5%
Depreciation and amortisation expenses	(6,766)	(3,365)	+101.1%
Earnings before interest and tax	16,783	11,040	+52.0%

Other New Zealand Operations include SKYCITY Queenstown, Christchurch Casino and SKYCITY Cinemas.

SUMMARY EARNINGS STATEMENTS

YEARS ENDED 30 JUNE

	2007 A\$000	2006 A\$000	MOVEMENT %
SKYCITY Adelaide			
Gaming revenue	117,175	114,368	+2.5%
Non-gaming revenue	16,229	16,787	-3.3%
Total revenue	133,404	131,155	+1.7%
Earnings before interest, tax, depreciation and amortisation	25,358	27,335	-7.2%
Depreciation and amortisation expenses	(9,905)	(10,215)	-3.0%
Earnings before interest and tax	15,453	17,120	-9.7%

	2007 A\$000	2006 A\$000	MOVEMENT %
SKYCITY Darwin			
Gaming revenue	75,205	72,161	+4.2%
Non-gaming revenue	19,354	16,817	+15.1%
Total revenue	94,559	88,978	+6.3%
Earnings before interest, tax, depreciation and amortisation	35,255	33,650	+4.8%
Depreciation and amortisation expenses	(6,694)	(5,628)	+18.9%
Earnings before interest and tax	28,561	28,022	+1.9%

FIVE YEAR SUMMARY

CONSOLIDATED INCOME STATEMENTS

YEARS ENDED 30 JUNE	2007 \$000	2006 \$000	2005 \$000	2004 \$000	2003 \$000
Revenue	798,575	752,369	669,928	590,479	556,493
Other income/revenue	17,522	12,207	13,081	3,678	7,820
Total revenue	816,097	764,576	683,009	594,157	564,313
Operating expenses	(518,954)	(463,257)	(398,910)	(334,492)	(310,395)
Earnings before interest, tax, depreciation and amortisation	297,143	301,319	284,099	259,665	253,918
Depreciation and amortisation expenses	(72,227)	(65,016)	(58,783)	(47,677)	(46,032)
Earnings before interest and tax	224,916	236,303	225,316	211,988	207,886
Funding costs	(93,361)	(83,965)	(79,713)	(48,563)	(49,266)
Profit before income tax	131,555	152,338	145,603	163,425	158,620
Income tax expense	(33,125)	(32,590)	(38,078)	(40,400)	(51,117)
(Profit)/loss attributable to minority interests	(28)	381	(1,111)	(1,899)	(286)
Profit after tax & minority interest before non-recurring items	98,402	120,129	106,414	121,126	107,217
Non-recurring items ⁽¹⁾	-	-	-	(20,904)	-
Net profit after tax	98,402	120,129	106,414	100,222	107,217

The above income statements have been prepared to show the key features of the operating performance achieved. They are not the financial statements of SKYCITY Entertainment Group Limited and therefore do not contain all the details and disclosures which are included in the company's financial statements.

In the financial statements interest received and gains on some financial transactions are included as other revenue. In previous five year summaries these items have been netted off against funding costs to identify the net cost of the company's funding arrangement. To avoid the differential with the financial statements the above summaries now include these items in other revenue. The five year income statement is based on NZ IFRS (2005 to 2007) and on previous NZ GAAP (2003 to 2004).

⁽¹⁾ Non-recurring item relates to the write-off of investment in Canbet Limited.

FIVE YEAR SUMMARY

CONSOLIDATED BALANCE SHEETS

AS AT 30 JUNE	2007 \$000	2006 \$000	2005 \$000	2004 \$000	2003 \$000
ASSETS					
Current assets					
Cash and bank balances	71,537	74,098	62,849	53,272	57,264
Inventories	5,523	5,241	5,382	3,017	2,898
Receivables and prepayments	30,996	30,803	37,158	53,106	6,780
Tax receivables	25,971	-	-	-	-
Derivative financial instruments	334	1,477	-	-	-
Assets classified as held-for-sale	-	52,400	-	-	-
Total current assets	134,361	164,019	105,389	109,395	66,942
Non-current assets					
Property, plant and equipment	940,106	935,123	917,967	750,267	636,990
Investment properties	8,845	8,593	52,500	-	-
Other investments (including associates)	80,831	78,304	79,820	78,280	21,586
Intangible assets	433,469	426,011	377,016	212,373	207,844
Available-for-sale financial assets	2,514	2,622	-	-	-
Tax receivables	-	47,438	12,905	9,999	315
Deferred tax assets	15,978	26,667	13,675	-	-
Derivative financial instruments	26,865	37,055	-	-	-
Other non-current assets	-	-	-	14,645	3,151
Total non-current assets	1,508,608	1,561,813	1,453,883	1,065,564	869,886
Total assets	1,642,969	1,725,832	1,559,272	1,174,959	936,828
LIABILITIES					
Current liabilities					
Payables	119,501	100,776	97,005	93,619	64,836
Interest-bearing liabilities	-	-	100,758	101,000	1,000
Derivative financial instruments	-	25	-	-	-
Total current liabilities	119,501	100,801	197,763	194,619	65,836
Non-current liabilities					
Interest-bearing liabilities	753,002	950,904	956,795	579,967	437,116
Subordinated debt - capital notes	123,756	123,720	121,510	149,644	149,266
Subordinated debt - SKYCITY ACES	161,410	177,956	-	-	-
Deferred tax liabilities	52,992	60,596	45,438	-	-
Derivative financial instruments	50,774	3,072	-	-	-
Convertible notes	-	-	-	8,910	13,365
Other term liabilities	-	-	-	27,216	24,680
Total non-current liabilities	1,141,934	1,316,248	1,123,743	765,737	624,427
Total liabilities	1,261,435	1,417,049	1,321,506	960,356	690,263
Net assets	381,534	308,783	237,766	214,603	246,565
EQUITY					
Share capital	364,068	281,735	226,726	225,871	246,518
Reserves	(16,069)	(8,171)	(5,159)	(7,510)	1,932
Retained profits	31,044	32,756	13,355	(7,274)	(7,492)
Shareholders' equity	379,043	306,320	234,922	211,087	240,958
Minority interests	2,491	2,463	2,844	3,516	5,607
Total equity	381,534	308,783	237,766	214,603	246,565

The balance sheet set out above is based on NZ IFRS (2005 to 2007) and on previous NZ GAAP (2003 to 2004).

FIVE YEAR SUMMARY

FINANCIAL RATIOS

	2007	2006	2005	2004	2003
EBITDA/Revenue	36.4%	39.4%	41.6%	43.7%	45.0%
Profit after tax/Revenue	12.1%	15.7%	15.6%	16.9%	19.0%
Revenue/Total assets	49.7%	44.3%	43.8%	50.6%	60.2%
Return on total assets	6.0%	7.0%	6.8%	8.5%	11.4%
Earnings per share ⁽¹⁾	22.3cps	28.5cps	25.5cps	24.0cps	25.5cps
Net tangible assets per share ⁽¹⁾	(\$0.12)	(\$0.28)	(\$0.33)	\$0.01	\$0.09
Dividends/Distributions paid ⁽²⁾	21.0cps	26.0cps	24.0cps	26.5cps	33.5cps
Interest coverage	3.2x	3.6x	3.6x	5.3x	5.2x

⁽¹⁾ Weighted average number of shares on issue used. Adjusted for 1 for 1 share split in November 2003

⁽²⁾ The dividend paid in the 2002/03 year of 33.5cps included a special additional dividend of 10.0cps

The financial ratios have been restated to be consistent with the presentation of the five year income statements and balance sheets.

TO THE SHAREHOLDERS OF SKYCITY ENTERTAINMENT GROUP LIMITED

We have audited the financial statements on pages 84 to 129. The financial statements provide information about the past financial performance and cash flows of the Company and Group, comprising SKYCITY Entertainment Group Limited and its subsidiaries for the year ended 30 June 2007 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 88 to 94.

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 2007 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 84 to 129:
 - (i) comply with generally accepted accounting practice in New Zealand;
 - (ii) comply with International Financial Reporting Standards; and
 - (iii) give a true and fair view of the financial position of the Company and Group as at 30 June 2007 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 20 August 2007 and our unqualified opinion is expressed as at that date.



Chartered Accountants
Auckland

INCOME STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007	NOTES	CONSOLIDATED		PARENT	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
Revenue	3	798,575	752,369	-	-
Other income	4	13,068	7,891	111,097	109,353
Share of net profits of associates	16	4,454	4,316	-	-
Employee benefits expense		(230,701)	(225,049)	(15,904)	(15,941)
Depreciation and amortisation expense	5	(72,227)	(65,016)	(254)	(157)
Other expenses	5	(121,219)	(105,512)	(12,255)	(6,388)
Marketing and communications		(55,959)	(44,509)	(3,878)	(4,427)
Direct consumables and film hire costs		(55,709)	(39,468)	-	-
Gaming taxes		(50,326)	(48,134)	-	-
Directors' fees		(718)	(585)	(718)	(585)
Restructuring costs	5	(4,322)	-	(4,322)	-
Finance costs	5	(93,361)	(83,965)	(10,127)	(9,983)
Profit before income tax		131,555	152,338	63,639	71,871
Income tax expense	7	(33,125)	(32,590)	-	-
Profit before minority interest		98,430	119,748	63,639	71,871
(Profit)/loss attributable to minority interest		(28)	381	-	-
Profit attributable to shareholders of the company		98,402	120,129	63,639	71,871
<i>Earnings per share for profit attributable to the shareholders of the company</i>					
Basic earnings per share (cents)	8	22.3	28.5	14.4	17.1
Diluted earnings per share (cents)	8	22.1	26.9	13.9	16.1

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

BALANCE SHEETS

AS AT 30 JUNE 2007	NOTES	CONSOLIDATED		PARENT	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
ASSETS					
<i>Current assets</i>					
Cash and bank balances		71,537	74,098	2	2
Receivables and prepayments	9	30,996	30,803	31,395	34,166
Inventories		5,523	5,241	-	-
Tax receivables		25,971	-	-	-
Derivative financial instruments	10	334	1,477	-	-
Assets classified as held for sale	11	-	52,400	-	-
Total current assets		134,361	164,019	31,397	34,168
<i>Non-current assets</i>					
Property, plant and equipment	12	940,106	935,123	1,533	1,961
Investment properties	13	8,845	8,593	-	-
Investment in subsidiaries		-	-	724,949	724,949
Intangible assets	14	433,469	426,011	156	147
Available-for-sale financial assets	15	2,514	2,622	-	-
Investments in associates	16	80,831	78,304	-	-
Tax receivables		-	47,438	-	-
Deferred tax assets	21	15,978	26,667	-	-
Derivative financial instruments	10	26,865	37,055	-	-
Total non-current assets		1,508,608	1,561,813	726,638	727,057
Total assets		1,642,969	1,725,832	758,035	761,225
LIABILITIES					
<i>Current liabilities</i>					
Payables	17	119,501	100,776	369,290	416,952
Derivative financial instruments	10	-	25	-	-
Total current liabilities		119,501	100,801	369,290	416,952
<i>Non-current liabilities</i>					
Interest-bearing liabilities	18	753,002	950,904	-	-
Subordinated debt-capital notes	19	123,756	123,720	123,756	123,720
Subordinated debt-SKYCITY ACES	20	161,410	177,956	-	-
Deferred tax liabilities	22	52,992	60,596	-	-
Derivative financial instruments	10	50,774	3,072	-	-
Total non-current liabilities		1,141,934	1,316,248	123,756	123,720
Total liabilities		1,261,435	1,417,049	493,046	540,672
Net assets		381,534	308,783	264,989	220,553
EQUITY					
Share capital	24	364,068	281,735	364,068	281,735
Reserves	25(a)	(16,069)	(8,171)	3,526	4,948
Retained profits	25(b)	31,044	32,756	(102,605)	(66,130)
Shareholders' equity		379,043	306,320	264,989	220,553
Minority interest	26	2,491	2,463	-	-
Total equity		381,534	308,783	264,989	220,553

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2007	NOTES	CONSOLIDATED		PARENT	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
Total equity at the beginning of the year		308,783	237,766	220,553	193,683
Restatement on adoption of NZ IAS 39		-	(4,073)	-	-
Restated total equity at the beginning of the year		308,783	233,693	220,553	193,683
Available for sale financial assets	25	154	(69)	-	-
Movement in cash flow hedge reserve	25	27,400	(22,161)	-	-
Exchange differences on translation of foreign operations	25	(34,030)	21,552	-	-
Net income recognised directly in equity		(6,476)	(678)	-	-
Profit for the year		98,402	120,129	63,639	71,871
Total recognised income and expense for the year		91,926	119,451	63,639	71,871
Exercise of share options		5,956	10,009	5,956	10,009
Shares issued under profit distribution plan	24	100,114	50,450	100,114	50,450
Buyback of shares under profit distribution plan		(21,246)	-	(21,246)	-
Buyback and cancellation of shares under profit distribution plan		(5,403)	(14,894)	(5,403)	(14,894)
Share rights issued for employee services	24	786	874	786	874
Employee share entitlements issued		2,126	2,139	2,126	2,139
Shares issued under dividend reinvestment plan		-	6,431	-	6,431
Distributions to owners	27	(100,114)	(100,667)	(100,114)	(100,667)
Movement in employee share entitlement reserve	25	(1,422)	1,678	(1,422)	1,678
Change in minority interest	26	28	(381)	-	-
Amalgamations		-	-	-	(1,021)
		(19,175)	(44,361)	(19,203)	(45,001)
Total equity at the end of the year		381,534	308,783	264,989	220,553

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

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2007	NOTES	CONSOLIDATED		PARENT	
		2007 \$000	2006 \$000	2007 \$000	2006 \$000
<i>Cash flows from operating activities</i>					
Receipts from customers		798,393	758,729	-	-
Payments to suppliers and employees		(467,925)	(418,559)	(33,523)	(21,166)
		330,468	340,170	(33,523)	(21,166)
Dividends received		4,429	3,444	-	-
Interest received		6,336	3,583	208	971
Other taxes paid		(53,000)	(50,884)	-	-
Income taxes paid		(20,750)	(45,538)	-	-
Net cash flows from operating activities	36	267,483	250,775	(33,315)	(20,195)
<i>Cash flows from investing activities</i>					
Purchase of business, net of cash acquired	31	(34,285)	-	-	-
Purchase of/proceeds from property, plant and equipment		(69,307)	(57,851)	273	(1,452)
Payments for investment property		(252)	(8,593)	-	-
Payments for intangible assets		(14,790)	(14,527)	-	-
Proceeds from sale of available for sale assets		52,400	-	-	-
Dividends from subsidiaries		-	-	100,311	106,251
Net cash flows from investing activities		(66,234)	(80,971)	100,584	104,799
<i>Cash flows from financing activities</i>					
Exercise of share options		5,956	10,009	5,956	10,009
Proceeds from borrowings		-	157,550	-	2,210
Cash flows associated with closed derivatives		-	8,098	-	-
Buyback and cancellation of shares		(5,403)	(14,890)	(5,403)	(14,890)
Repayment of borrowings		(93,052)	(182,754)	-	-
Advances from subsidiaries		-	-	(36,648)	(29,111)
Dividends paid to company shareholders		(21,246)	(43,790)	(21,246)	(43,790)
Interest paid		(90,065)	(92,773)	(9,928)	(9,033)
Net cash flows from financing activities		(203,810)	(158,550)	(67,269)	(84,605)
Net (decrease)/increase in cash and cash equivalents		(2,561)	11,254	-	(1)
Cash and bank balances at the beginning of the year		74,098	62,849	2	3
Effects of exchange rate changes on cash and cash equivalents		-	(5)	-	-
Cash and cash equivalents at end of year		71,537	74,098	2	2

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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.

These consolidated financial statements have been approved for issue by the board of directors on 20 August 2007.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These general-purpose financial statements for the year ended 30 June 2007 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 2007 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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 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

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

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

(j) Trade Receivables

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

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

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 subcategories: 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

NOTES TO THE FINANCIAL STATEMENTS

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, SKY CITY 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

NOTES TO THE FINANCIAL STATEMENTS

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 share rights or shares is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the share rights or shares granted, excluding the impact of any non-

NOTES TO THE FINANCIAL STATEMENTS

market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of share rights or shares that are expected to be distributed. At each balance sheet date, the entity revises its estimates of the number of shares expected to be distributed. It recognises the impact of the revision of original estimates, if any, in the Income Statement, and a corresponding adjustment to equity over the remaining vesting period.

(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.

(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.

(w) Standards, Interpretations and Amendments to Published Standards that are Not Yet Effective

Certain new standards, amendments and interpretations to existing standards have been published that are

mandatory for the Group's accounting periods beginning on or after 1 July 2007 or later periods but which the Group has not early adopted:

- **NZ IFRIC 13, Customer loyalty programmes** (effective from annual periods beginning on or after 1 July 2008). NZ IFRIC 13 requires SKYCITY to allocate a portion of gaming revenue to the loyalty points scheme as a liability. Currently the Group treats this amount as an expense. There is not expected to be a significant impact on net profit. The Group will apply NZ IFRIC 13 from 1 July 2007.
- **NZ IFRS 7, Financial Instruments: Disclosures and a complementary Amendment to NZ IAS 1, Presentation of Financial Statements** Capital Disclosures (effective from annual periods beginning on or after 1 January 2007). NZ IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces NZ IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in NZ IAS 32, Financial Instruments: Disclosure and Presentation. The amendment to NZ IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of NZ IFRS 7 and the amendment to NZ IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital disclosures as required by the amendment of NZ IAS 1. The Group will apply NZ IFRS 7 and the amendment to NZ IAS 1 from 1 July 2007.

(x) Changes in Accounting Policies

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

Certain comparatives have been restated in order to conform to current year presentation. The nature of these changes is to increase the level of disclosure around expenses, to align fixed asset classifications between years and to amend 2006 segmental disclosures. There is no impact on net profit.

NOTES TO THE FINANCIAL STATEMENTS

3. REVENUE

	CONSOLIDATED		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Gaming	576,023	578,391	-	-
Non-gaming	222,552	173,978	-	-
	798,575	752,369	-	-

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

4. OTHER INCOME

	CONSOLIDATED		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Interest income	6,336	3,583	208	971
Dividend income	4	367	-	-
Net gain on disposal of property, plant and equipment	3,383	-	-	-
Transfer from foreign currency translation reserve	3,345	-	-	-
Fair value gains on financial assets at fair value through profit or loss	-	4,107	-	-
Fair value adjustment to investment property (note 13)	-	(166)	-	-
Other income	-	-	10,578	2,131
Dividends from wholly-owned entities	-	-	100,311	106,251
	13,068	7,891	111,097	109,353

NOTES TO THE FINANCIAL STATEMENTS

5. EXPENSES

	CONSOLIDATED		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Profit before income tax includes the following specific expenses:				
<i>Depreciation</i>				
Buildings	18,704	18,081	-	-
Plant and equipment	39,200	33,889	155	131
Other	25	57	-	-
Furniture and fittings	5,968	6,534	-	-
Motor vehicles	256	275	-	-
Total depreciation	64,153	58,836	155	131
<i>Amortisation</i>				
Casino licences	2,452	2,341	-	-
Software	5,622	3,839	99	26
Total amortisation	8,074	6,180	99	26
<i>Finance costs</i>				
Interest and finance charges paid/payable	93,295	94,263	10,128	9,983
Exchange losses/(gains) on foreign currency borrowings	66	(10,298)	(1)	-
Total finance costs	93,361	83,965	10,127	9,983
<i>Rental expense relating to operating leases</i>				
Lease payments	14,331	8,076	-	-
Total rental expense relating to operating leases	14,331	8,076	-	-
<i>Other expenses</i>				
Utilities, insurance and rates	21,257	19,580	262	219
Community funding and gaming levies	8,715	8,467	-	-
Property expenses	32,207	21,591	-	-
Other	59,040	55,874	15,871	10,597
Total other expenses	121,219	105,512	16,133	10,816
<i>Restructuring costs</i>				
Restructuring costs	4,322	-	4,322	-

Restructuring costs relate to redundancy and other payments.

NOTES TO THE FINANCIAL STATEMENTS

6. 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	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
(a) Assurance Services				
<i>Audit services</i>				
PricewaterhouseCoopers				
Compliance audit fees	66	36	66	36
Statutory audit fees	721	619	125	111
Other audit firms for the audit or review of financial reports of subsidiaries	9	55	-	-
Total remuneration for audit services	796	710	191	147
<i>Other assurance services provided by PricewaterhouseCoopers</i>				
Accounting advice and assistance	116	242	112	242
Financial due diligence	-	382	-	-
Systems assurance	39	68	-	68
IFRS accounting assistance	25	73	-	73
Tax compliance services	184	223	-	42
Total remuneration for other assurance services	364	988	112	425
Total remuneration for assurance services	1,160	1,698	303	572
(b) Other Services				
PricewaterhouseCoopers				
Taxation advisory services	459	1,429	-	617
Business process and efficiency review	170	-	170	-
Total other services	629	1,429	170	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 other circumstances other external advisers are used.

NOTES TO THE FINANCIAL STATEMENTS

7. INCOME TAX EXPENSE

	CONSOLIDATED		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
(a) Income Tax Expense				
Current tax	40,999	22,880	-	-
Deferred tax	(8,234)	10,218	-	-
Under/(over) provided in prior years	360	(508)	-	-
Income tax expense	33,125	32,590	-	-
<i>Deferred income tax/(revenue) expense included in income tax expense comprises:</i>				
Decrease/(increase) in deferred tax assets (note 21)	1,919	(5,744)	-	-
(Decrease)/increase in deferred tax liabilities (note 22)	(10,153)	15,962	-	-
	(8,234)	10,218	-	-
(b) Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable				
Profit from continuing operations before income tax expense	131,555	152,338	63,639	71,871
Tax at the New Zealand tax rate of 33% (2006: 33%)	43,413	50,272	21,001	23,717
<i>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:</i>				
Inter-company eliminations	-	-	11,969	11,147
Expenditure not deductible for tax	1,964	2,034	133	199
Share of net profit of associates	(1,470)	(1,424)	-	-
Change in NZ corporate tax rate (refer below)	(3,681)	-	-	-
Foreign exchange rate differences (refer below)	4,591	(8,781)	-	-
Non-taxable income	(417)	(58)	-	-
Exempt dividends received	-	-	(33,103)	(35,063)
Share of partnership expenditure	(3,640)	(3,639)	-	-
Non-taxable gain on disposal of fixed assets	(3,890)	-	-	-
Other	(1,050)	(754)	-	-
	35,820	37,650	-	-
Difference in overseas tax rates	(3,150)	(4,651)	-	-
Under/(over) provision in prior years	455	(409)	-	-
	(2,695)	(5,060)	-	-
Income tax expense	33,125	32,590	-	-

The weighted average applicable tax rate was 25.2% (2006: 21.4%). The increase in tax rate from 2006 to 2007 was primarily due to movements in the New Zealand dollar against the Australian dollar which resulted in tax assessable items but no associated profit before tax impact, partially offset by accounting for the lowering of the New Zealand corporate tax rate effective from 1 July 2008.

NOTES TO THE FINANCIAL STATEMENTS

8. EARNINGS PER SHARE

(a) Reconciliations of Earnings Used in Calculating Earnings Per Share	CONSOLIDATED		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
<i>Basic earnings per share</i>				
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	98,402	120,129	63,639	71,871
<i>Diluted earnings per share</i>				
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	98,402	120,129	63,639	71,871
Interest on capital notes	10,064	9,892	10,064	9,892
Interest on SKYCITY ACES	10,253	6,379	-	-
Tax on the above	(6,705)	(5,369)	(3,321)	(3,264)
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	112,014	131,031	70,382	78,499

(b) Weighted Average Number of Shares Used as the Denominator	2007 NUMBER	2006 NUMBER
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	440,556,530	421,218,240
<i>Adjustments for calculation of diluted earnings per share:</i>		
SKYCITY ACES	33,939,147	33,942,891
Options/share rights	6,945,011	9,207,463
Capital notes	24,382,354	22,937,474
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	505,823,042	487,306,068

(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 20.

(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 29.

(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 19.

NOTES TO THE FINANCIAL STATEMENTS

9. RECEIVABLES AND PREPAYMENTS

	CONSOLIDATED		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Trade receivables	6,921	6,330	-	-
Advance to Christchurch Hotels Limited	16,415	16,422	-	-
Sundry receivables	5,298	5,933	34	92
Prepayments	2,362	2,118	691	170
Amounts due from subsidiaries	-	-	30,670	33,904
	30,996	30,803	31,395	34,166

10. DERIVATIVE FINANCIAL INSTRUMENTS

	FAIR VALUE		NOTIONAL PRINCIPAL	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
<i>Current assets</i>				
Interest rate swaps - cash flow hedges	334	1,477	48,006	120,000
Total current derivative financial instrument assets	334	1,477	48,006	120,000
<i>Non-current assets</i>				
Interest rate swaps - cash flow hedges	26,865	2,089	622,529	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	26,865	37,055	622,529	699,856
<i>Current liabilities</i>				
Forward foreign currency contracts	-	25	7,701	12,195
Total current derivative financial instrument liabilities	-	25	7,701	12,195
<i>Non-current liabilities</i>				
Interest rate swaps - cash flow hedges	-	3,072	-	264,958
Cross-currency interest rate swaps - cash flow hedges	47,861	-	365,028	-
Cross-currency interest rate swaps - fair value hedges	2,913	-	21,592	-
Total non-current derivative financial instrument liabilities	50,774	3,072	386,620	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.

NOTES TO THE FINANCIAL STATEMENTS

10. 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 2007 (2006: 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 2007 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 does 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 18.

Refer to note 18 for the Group's exposure to interest rate risk.

11. ASSETS CLASSIFIED AS HELD FOR SALE

	CONSOLIDATED		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
SKYCITY Metro Centre	-	52,400	-	-

On 11 June 2007 SKYCITY sold the SKYCITY Metro Centre.

NOTES TO THE FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT

CONSOLIDATED	LAND \$000	BUILDINGS \$000	PLANT & EQUIPMENT \$000	FIXTURES & FITTINGS \$000	MOTOR VEHICLES \$000	CAPITAL WORK IN PROGRESS \$000	TOTAL \$000
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
Net additions	6,354	81,917	48,118	(2,860)	318	-	133,847
Depreciation charge	-	(18,081)	(33,889)	(6,534)	(275)	(57)	(58,836)
Transfers	-	-	-	-	-	(77,864)	(77,864)
Closing net book value	171,064	611,169	98,538	30,118	445	23,789	935,123
At 30 June 2006							
Cost	171,064	723,882	278,122	80,172	1,207	23,789	1,278,236
Accumulated depreciation	-	(112,713)	(179,584)	(50,054)	(762)	-	(343,113)
Net book value	171,064	611,169	98,538	30,118	445	23,789	935,123
Movements in the year ended 30 June 2007							
Opening net book value	171,064	611,169	98,538	30,118	445	23,789	935,123
Exchange differences	(1,477)	(10,875)	(3,486)	(653)	(26)	(258)	(16,775)
Net additions	(3,421)	21,649	44,657	2,047	108	20,871	85,911
Depreciation charge	-	(18,704)	(39,200)	(5,968)	(256)	(25)	(64,153)
Closing net book value	166,166	603,239	100,509	25,544	271	44,377	940,106
At 30 June 2007							
Cost	166,166	718,792	307,831	76,738	1,246	44,377	1,315,150
Accumulated depreciation	-	(115,553)	(207,322)	(51,194)	(975)	-	(375,044)
Net book value	166,166	603,239	100,509	25,544	271	44,377	940,106

NOTES TO THE FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT (continued)

PARENT	PLANT & EQUIPMENT \$000	CAPITAL WORK IN PROGRESS \$000	TOTAL \$000
At 30 June 2005			
Cost	520	512	1,032
Accumulated depreciation	(244)	-	(244)
Net book value	276	512	788
Movements in the year ended 30 June 2006			
Opening net book value	276	512	788
Additions	493	811	1,304
Depreciation charge	(131)	-	(131)
Closing net book value	638	1,323	1,961
At 30 June 2006			
Cost	988	1,323	2,311
Accumulated depreciation	(350)	-	(350)
Net book value	638	1,323	1,961
Movements in the year ended 30 June 2007			
Opening net book value	638	1,323	1,961
Net additions	136	(409)	(273)
Depreciation charge	(155)	-	(155)
Closing net book value	619	914	1,533
At 30 June 2007			
Cost	1,105	914	2,019
Accumulated depreciation	(486)	-	(486)
Net book value	619	914	1,533

Borrowing costs in relation to the funding of the Auckland Main Gaming Floor refurbishment, cinema construction and car park building purchases (2006: car park building purchases) have been capitalised to these projects, \$1,141,522 (2006: \$1,223,659). Total capitalised interest and facility fees included in the cost of land and buildings at 30 June 2007 is \$47,903,810 (2006: \$46,762,288). 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 car parking and a vehicle tunnel. The encumbrance is to notify any transferee of the council's interest as lessor of the sub soil areas.

NOTES TO THE FINANCIAL STATEMENTS

12. PROPERTY, PLANT AND EQUIPMENT (continued)

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

13. INVESTMENT PROPERTIES

	CONSOLIDATED		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
At fair value				
Balance at the beginning of the year	8,593	52,500	-	-
Acquisitions	-	8,593	-	-
Capitalised subsequent expenditure	252	66	-	-
Net (loss) from fair value adjustment	-	(166)	-	-
Transfer to assets held for sale	-	(52,400)	-	-
Balance at the end of the year	8,845	8,593	-	-

	CONSOLIDATED		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Rental income	406	4,663	-	-
Direct operating expenses from property that generated rental income	2	953	-	-

On 29 June 2006 the Group purchased 97-101 Hobson Street in Auckland for \$8,593,000 (including costs). Investment properties are not depreciated and are required to be accounted for at fair value each year. 97-101 Hobson Street was valued as at 30 June 2007 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 arms length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently, and without compulsion.

The SKYCITY Metro Centre in Auckland was originally classified as an investment property. In 2006 SKYCITY announced its intention to sell the SKYCITY Metro Centre and as a result this building was transferred to assets held for sale in 2006.

NOTES TO THE FINANCIAL STATEMENTS

14. INTANGIBLE ASSETS

CONSOLIDATED	GOODWILL \$000	CASINO LICENCES \$000	COMPUTER SOFTWARE \$000	TOTAL \$000
At 30 June 2005				
Cost	153,655	232,610	21,008	407,273
Accumulated depreciation	-	(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
Movements in the year ended 30 June 2007				
Opening net book amount	168,443	240,902	16,666	426,011
Exchange differences	(11,452)	(23,817)	(391)	(35,660)
Additions	37,659	-	13,533	51,192
Amortisation charge	-	(2,452)	(5,622)	(8,074)
Closing net book amount	194,650	214,633	24,186	433,469
At 30 June 2007				
Cost	194,650	234,120	51,260	480,030
Accumulated amortisation	-	(19,487)	(27,074)	(46,561)
Net book amount	194,650	214,633	24,186	433,469

NOTES TO THE FINANCIAL STATEMENTS

14. INTANGIBLE ASSETS (continued)

PARENT	COMPUTER SOFTWARE \$000	TOTAL \$000
Movements in the 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 and impairment	(26)	(26)
Net book amount	147	147
Movements in the year ended 30 June 2007		
Opening net book amount	147	147
Additions	108	108
Amortisation charge	(99)	(99)
Closing net book amount	156	156
At 30 June 2007		
Cost	227	227
Accumulated amortisation	(71)	(71)
Net book amount	156	156

(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
2007			
Goodwill	90,578	104,072	194,650
Casino licence	-	34,912	34,912
	90,578	138,984	229,562
2006			
Goodwill	52,919	115,524	168,443
Casino licence	-	38,798	38,798
	52,919	154,322	207,241

NOTES TO THE FINANCIAL STATEMENTS

14. INTANGIBLE ASSETS (continued)

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

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

	GROSS MARGIN		GROWTH RATE		DISCOUNT RATE	
	2007 %	2006 %	2007 %	2006 %	2007 %	2006 %
Rest of New Zealand	44.4	49.4	3.0	3.0	8.7	8.6
SKYCITY Darwin	49.9	47.4	3.0	3.0	8.7	8.6

15. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	CONSOLIDATED		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Balance at the beginning of the year	2,622	-	-	-
Adjustment on adoption of NZ IAS 32 and NZ IAS 39	-	2,578	-	-
Exchange differences	(262)	113	-	-
Revaluation surplus transfer to equity	154	(69)	-	-
Balance at the end of the year	2,514	2,622	-	-

	CONSOLIDATED		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Listed equity securities	1,492	1,600	-	-
Unlisted equity securities	1,022	1,022	-	-
	2,514	2,622	-	-

Transition to NZ IAS 32 and NZ IAS 39

The Group had 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 (1 July 2005) the Group reclassified the investments in Christchurch Hotels Limited and International All Sports Limited previously recognised as other investments.

NOTES TO THE FINANCIAL STATEMENTS

16. INVESTMENTS IN ASSOCIATES

(a) Carrying Amounts

Information relating to associates is set out below.

NAME OF COMPANY	PRINCIPAL ACTIVITY	OWNERSHIP INTEREST		CONSOLIDATED		PARENT	
		2007 %	2006 %	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Unlisted							
Vista Entertainment Solutions Limited	Ticket software systems	50	25	2,903	254	-	-
Christchurch Casinos Limited	Casino operator	41	41	77,928	78,050	-	-
				80,831	78,304	-	-

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.

(b) Movements in Carrying Amounts

	2007 \$'000	2006 \$'000
Balance at the beginning of the year	78,304	281
Share of profits after income tax	4,661	4,316
Elimination of inter-entity profits	(209)	-
Christchurch Casinos Limited	-	76,784
Purchase of a further 25% interest in Vista Entertainment Solutions as part of the Village acquisition	2,500	-
Dividends received/receivable	(4,425)	(3,077)
Carrying amount at the end of the financial year (including goodwill \$55,269,000 (2006: \$53,127,000))	80,831	78,304

(c) Summarised Financial Information of Significant Associates

	GROUP'S SHARE OF			
	ASSETS \$000	LIABILITIES \$000	REVENUES \$000	PROFIT \$000
2007				
Christchurch Casinos Limited	16,236	1,118	22,743	4,200
	16,236	1,118	22,743	4,200
2006				
Christchurch Casinos Limited	16,774	1,712	19,803	4,316
	16,774	1,712	19,803	4,316

NOTES TO THE FINANCIAL STATEMENTS

17. PAYABLES

	CONSOLIDATED		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Trade payables	19,165	11,995	-	-
Accrued expenses	71,579	58,295	5,288	3,061
Employee benefits	28,757	30,486	-	-
Amounts due to subsidiaries	-	-	364,002	413,891
	119,501	100,776	369,290	416,952

18. NON-CURRENT LIABILITIES - INTEREST BEARING LIABILITIES

	CONSOLIDATED		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Secured				
Bank loans - SKYCITY Cinemas Group	-	52	-	-
Unsecured				
United States private placement	534,639	640,408	-	-
Syndicated bank facility	221,000	314,007	-	-
Deferred funding expenses	(2,637)	(3,563)	-	-
Total unsecured non-current interest-bearing borrowings	753,002	950,852	-	-
Total non-current interest-bearing liabilities	753,002	950,904	-	-

SKYCITY Cinemas Group

At balance date, SKYCITY Rialto JV had a bank facility of \$250,000 (2006: \$500,000) which was undrawn, secured by registered mortgage debenture over Rialto Cinemas Limited. SKYCITY has a 50% interest in Rialto Cinemas Limited.

Syndicated Bank Facility

At 30 June 2007, SKYCITY had in place a \$500,000,000 (2006: \$500,000,000) 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 2007, the undrawn amount was \$279,000,000 (2006: \$186,000,000).

United States Private Placement

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

The movement in the US Private Placement debt from 2006 relates to foreign exchange movement. 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.

NOTES TO THE FINANCIAL STATEMENTS

19. SUBORDINATED DEBT - CAPITAL NOTES

	CONSOLIDATED		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Balance at the beginning of the year	123,860	121,688	123,860	121,688
Reissued during the year	-	2,172	-	2,172
Balance at the end of the year	123,860	123,860	123,860	123,860
Deferred expenses at cost	178	178	178	178
Accumulated amortisation	(74)	(38)	(74)	(38)
Balance at the end of the year	104	140	104	140
Net capital notes at the end of the year	123,756	123,720	123,756	123,720

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

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%).

Prior to the next election date (15 May 2010), 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.

As at 30 June 2007, there were 150,000,000 (2006: 150,000,000) capital notes on issue, of which 123,859,750 (2006: 123,859,750) are issued with 26,140,250 (2006: 26,140,250) held as treasury stock by SKYCITY Entertainment Group Limited.

NOTES TO THE FINANCIAL STATEMENTS

20. SUBORDINATED DEBT - SKYCITY ACES

	CONSOLIDATED		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
SKYCITY ACES	165,035	183,195	-	-
Deferred expenses	(3,625)	(5,239)	-	-
	161,410	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 (BBSW) 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.

The movement in the SKYCITY ACES debt from 2006 relates to foreign exchange movements and is offset by changes in the foreign currency translation reserve.

NOTES TO THE FINANCIAL STATEMENTS

21. DEFERRED TAX ASSETS

	CONSOLIDATED		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
THE BALANCE COMPRISES TEMPORARY DIFFERENCES ATTRIBUTABLE TO:				
<i>Amounts recognised in profit or loss</i>				
Provision and accruals	11,205	14,096	-	-
Fixed assets	263	26	-	-
Foreign exchange differences	(2,788)	(4,322)	-	-
Tax rate change	(808)	-	-	-
Tax losses	7,120	6,510	-	-
Other	525	1,889	-	-
	15,517	18,199	-	-
<i>Amounts recognised directly in equity</i>				
Cash flow hedges	461	8,468	-	-
Deferred tax assets	15,978	26,667	-	-
MOVEMENTS				
Balance at the beginning of the year	26,667	13,675	-	-
Under provided in prior years	(190)	-	-	-
Credited (charged) to the income statement (note 7)	(1,111)	5,744	-	-
Credited to equity	(8,468)	8,468	-	-
Change in NZ corporate tax rate	(808)	-	-	-
Foreign exchange differences	(112)	(1,220)	-	-
Balance at the end of the year	15,978	26,667	-	-
EXPECTED SETTLEMENT				
Within 12 months	3,309	4,237	-	-
In excess of 12 months	12,669	22,430	-	-
	15,978	26,667	-	-

NOTES TO THE FINANCIAL STATEMENTS

22. DEFERRED TAX LIABILITIES

	CONSOLIDATED		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
THE BALANCE COMPRISES TEMPORARY DIFFERENCES ATTRIBUTABLE TO:				
Amounts recognised in profit or loss				
Provisions and prepayments	1,173	2,314	-	-
Depreciation	55,783	54,818	-	-
Tax rate change	(4,635)	-	-	-
Foreign exchange	(2,097)	4,869	-	-
	50,224	62,001	-	-
Amounts recognised directly in equity				
Cash flow hedges	2,768	(1,405)	-	-
Deferred tax liabilities	52,992	60,596	-	-
MOVEMENTS				
Balance at the beginning of the year	60,596	45,438	-	-
Charged to the income statement (note 7)	(5,518)	15,962	-	-
Credited to equity	3,842	(1,405)	-	-
Change in NZ corporate tax rate	(4,635)	-	-	-
Foreign exchange differences	(1,293)	601	-	-
Balance at the end of the year	52,992	60,596	-	-
EXPECTED SETTLEMENT				
Within 12 months	329	2,891	-	-
In excess of 12 months	52,663	57,705	-	-
	52,992	60,596	-	-

23. IMPUTATION CREDITS

	CONSOLIDATED	
	2007 \$'000	2006 \$'000
Balance at the beginning of the year	(2,663)	(17,325)
Tax payments, net of refunds	9,341	36,499
Credits attached to dividends/distributions paid	(8,676)	(21,837)
Balance at the end of the year	(1,998)	(2,663)

As required by relevant tax legislation, the imputation credit account had a credit balance as at 31 March 2007. The current debit balance is a result of imputation credits attached to the interim distribution paid in April 2007.

NOTES TO THE FINANCIAL STATEMENTS

24. SHARE CAPITAL

	2007 SHARES	2006 SHARES	2007 \$000	2006 \$000
Opening balance of ordinary shares issued	429,287,177	417,613,974	281,735	226,726
Shares issued under dividend reinvestment plan	-	1,353,016	-	6,431
Shares issued under profit distribution plan	21,421,910	10,320,187	100,114	50,450
Exercise of share rights/options	650,667	2,785,202	5,956	10,009
Issue of share rights/options	-	-	786	874
Shares issued under employee bonus scheme	480,583	479,704	2,126	2,139
Shares repurchased and not cancelled	-	-	(21,246)	-
Shares repurchased and cancelled	(1,131,250)	(3,264,906)	(5,403)	(14,894)
Closing balance of ordinary shares issued	450,709,087	429,287,177	364,068	281,735

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

Repurchase and Cancellation of Shares

There has been no on-market share buyback programme in the current year.

25. RESERVES AND RETAINED PROFITS

(a) Reserves

	CONSOLIDATED		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Available-for-sale investments revaluation reserve	85	(69)	-	-
Hedging reserve - cash flow hedges	1,227	(26,173)	-	-
Foreign currency translation reserve	(20,907)	13,123	-	-
Employee share entitlement reserve	3,526	4,948	3,526	4,948
	(16,069)	(8,171)	3,526	4,948

	CONSOLIDATED		PARENT	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
AVAILABLE-FOR-SALE INVESTMENTS REVALUATION RESERVE				
Movements				
Balance at the beginning of the year	(69)	-	-	-
Revaluations	154	(69)	-	-
Balance at the end of the year	85	(69)	-	-

NOTES TO THE FINANCIAL STATEMENTS

25. RESERVES AND RETAINED PROFITS (continued)

	CONSOLIDATED		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
HEDGING RESERVE - CASH FLOW HEDGES				
Movements				
Balance at the beginning of the year	(26,173)	-	-	-
Adjustment on adoption of NZ IAS 32 and NZ IAS 39	-	(4,012)	-	-
Revaluation	(62,179)	24,048	-	-
Transfer to net profit	101,755	(56,082)	-	-
Deferred tax	(12,176)	9,873	-	-
Balance at the end of the year	1,227	(26,173)	-	-
FOREIGN CURRENCY TRANSLATION RESERVE				
Movements				
Balance at the beginning of the year	13,123	(8,429)	-	-
Exchange difference on translation of overseas subsidiaries	(36,820)	29,953	-	-
Effect of hedging the net investment of overseas subsidiaries	6,135	(8,401)	-	-
Release to income statement	(3,345)	-	-	-
Balance at the end of the year	(20,907)	13,123	-	-
EMPLOYEE SHARE ENTITLEMENT RESERVE				
Movements				
Balance at the beginning of the year	4,948	3,270	4,948	3,270
Less value of shares issued during the year	(2,126)	(2,139)	(2,126)	(2,139)
Plus value of share entitlements for the year	704	3,817	704	3,817
Balance at the end of the year	3,526	4,948	3,526	4,948

(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 the income statement when the associated hedged transaction affects the income statement.

(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 the income statement when the net investment is disposed of. The release to income statement relates to a restructure of the capital structure of certain foreign operations which is deemed to be a partial disposal.

NOTES TO THE FINANCIAL STATEMENTS

25. RESERVES AND RETAINED PROFITS (continued)

(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 2000 through 30 June 2007. 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 2005 through 30 June 2007.

Shares are issued at the average closing price of SKYCITY Entertainment Group Limited's shares on the New Zealand Stock Exchange on the ten business days following the release to the New Zealand Stock 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.

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

(b) Retained Profits

Movements in retained profits were as follows:

	CONSOLIDATED		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Balance at the beginning of the year	32,756	13,355	(66,130)	(36,313)
Net profit for the year	98,402	120,129	63,639	71,871
Distributions/dividends	(100,114)	(100,667)	(100,114)	(100,667)
Adjustment on adoption of NZ IAS 39	-	(61)	-	-
Amalgamations accounted for at cost	-	-	-	(1,021)
Balance at the end of the year	31,044	32,756	(102,605)	(66,130)

NOTES TO THE FINANCIAL STATEMENTS

26. MINORITY INTEREST

	CONSOLIDATED	
	2007 \$000	2006 \$000
Balance at the beginning of the year	2,463	2,844
Share of surpluses of subsidiaries	28	(381)
Balance at the end of the year	2,491	2,463

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

27. DISTRIBUTIONS/DIVIDENDS

	CONSOLIDATED		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Prior year's final distribution/dividend	60,292	50,217	60,292	50,217
Interim distribution/dividend	39,822	50,450	39,822	50,450
Total distribution/dividends	100,114	100,667	100,114	100,667

On 28 February 2007, the directors resolved to make a pro rata issue of bonus shares in respect of the six month period ended 31 December 2006. The bonus shares were issued to all shareholders on the company's register at the close of business on Wednesday, 14 March 2006. The number of bonus shares issued was calculated as 9.0 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 15 to 21 March inclusive, less a 2.5% discount. Shareholders were able to elect to have the company buy back some or all of the 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 the bonus shares were fully imputed by the company. The bonus shares were issued and buyback proceeds paid to shareholders on Friday, 13 April 2007.

Of the interim distribution shareholders retained \$26,358,194 in shares.

On 20 August 2007, the directors resolved to make a pro rata issue of bonus shares in respect of the year ended 30 June 2007 (refer to note 37 for further details).

NOTES TO THE FINANCIAL STATEMENTS

28. 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, carparking and Sky Tower.

Rest of New Zealand

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

SKYCITY Adelaide

SKYCITY Adelaide includes casino operations and food and beverage.

SKYCITY Darwin

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

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 where the outcome is electronically determined, totally or partly mechanically or electronically operated and designed for use in casino gaming.

Table games

Table games are card, dice, tiles, roulette or money wheel games typically played on a table or like station rather than on a gaming machine or other like device.

Cinemas

New Zealand and Fiji cinema operations including any associated buildings.

Other

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

NOTES TO THE FINANCIAL STATEMENTS

28. SEGMENT INFORMATION (continued)

(b) Primary Reporting Format - Geographic Segments

2007	SKYCITY AUCKLAND	REST OF NEW ZEALAND	SKYCITY ADELAIDE	SKYCITY DARWIN	TOTAL
	\$000	\$000	\$000	\$000	\$000
Revenue from external customers	417,915	118,164	153,712	108,784	798,575
Shares of net profits of associates	-	4,454	-	-	4,454
Other revenue/income	(295)	13,903	(385)	(155)	13,068
Total segment revenue/income	417,620	136,521	153,327	108,629	816,097
Segment result	167,814	6,425	17,911	32,766	224,916
Finance costs					(93,361)
Profit before income tax					131,555
Income tax expense					(33,125)
Minority interest					(28)
Net profit for the year					98,402
Segment assets*	900,515	237,433	166,053	338,968	1,642,969
Segment liabilities*	121,671	1,104,466	12,747	22,551	1,261,435
Investments in associates	-	80,831	-	-	80,831
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	48,582	65,933	7,051	9,485	131,051
Depreciation and amortisation expense	41,621	11,552	11,374	7,680	72,227
2006	SKYCITY AUCKLAND	REST OF NEW ZEALAND	SKYCITY ADELAIDE	SKYCITY DARWIN	TOTAL
	\$000	\$000	\$000	\$000	\$000
Revenue from external customers	427,444	78,438	146,889	99,598	752,369
Shares of net profits of associates	-	4,316	-	-	4,316
Other revenue	2	7,889	-	-	7,891
Total segment revenue/income	427,446	90,643	146,889	99,598	764,576
Segment result	187,623	(2,192)	19,348	31,524	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*	809,129	333,186	272,195	311,322	1,725,832
Segment liabilities*	65,239	1,299,092	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

* The difference between segment assets and segment liabilities does not reflect the Group's net investment in each segment.

NOTES TO THE FINANCIAL STATEMENTS

28. SEGMENT INFORMATION (continued)

(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	
	2007	2006	2007	2006	2007	2006
	\$000	\$000	\$000	\$000	\$000	\$000
Gaming machines	353,986	345,865	27,972	36,225	8,608	26,446
Table games	222,037	232,526	10,529	3,999	919	1,972
Cinemas	74,605	37,669	106,430	90,357	58,731	9,583
Other	147,947	136,309	1,498,038	1,595,251	62,793	135,211
	798,575	752,369	1,642,969	1,725,832	131,051	173,212

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.

29. 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 dividends/distributions 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 converted 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 2005 options convert to one share upon exercise.

NOTES TO THE FINANCIAL STATEMENTS

29. SHARE-BASED PAYMENTS (continued)

Executive Share Rights Plan 2005

The Executive Share Rights Plan (Rights Plan) was approved by the 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 dividends/distributions between the issue date and the exercise date of the rights.

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:

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT START OF THE YEAR NUMBER	GRANTED DURING THE YEAR NUMBER	EXERCISED DURING THE YEAR NUMBER	EXPIRED DURING THE YEAR NUMBER	BALANCE AT END OF THE YEAR NUMBER	EXERCISABLE AT END OF THE YEAR NUMBER
Consolidated and Parent - 2007								
04/09/01	04/09/06	\$11.61	150,000	-	(150,000)	-	-	-
10/09/02	10/09/07	\$7.05	2,678,530	-	(105,500)	(39,000)	2,534,030	2,534,030
09/09/03	09/09/08	\$8.83	617,000	-	(94,000)	(75,000)	448,000	448,000
09/09/03	09/09/08	\$4.42	450,000	-	(450,000)	-	-	-
08/09/04	08/09/09	\$4.42	1,331,167	-	(22,667)	(443,333)	865,167	-
05/09/05	05/09/10	\$4.81	1,466,000	-	-	(639,333)	826,667	-
04/09/06	04/09/11	\$5.15	-	2,528,970	-	(412,000)	2,116,970	-
Total			6,692,697	2,528,970	(822,167)	(1,608,666)	6,790,834	2,982,030

Weighted average exercise price per share

	\$4.39	\$5.15	\$4.47	\$5.04	\$4.75	\$4.12
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GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT START OF THE YEAR NUMBER	GRANTED DURING THE YEAR NUMBER	EXERCISED DURING THE YEAR NUMBER	EXPIRED DURING THE YEAR NUMBER	BALANCE AT END OF THE YEAR NUMBER	EXERCISABLE AT END OF THE YEAR NUMBER
Consolidated and Parent - 2006								
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
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The weighted average exercise price at the date of exercise of options exercised during the year ended 30 June 2007 was \$4.47 (2006: \$3.80).

The weighted average remaining contractual life of options outstanding at the end of the period was 2.16 years (2006: 2.40 years).

NOTES TO THE FINANCIAL STATEMENTS

29. SHARE-BASED PAYMENTS (continued)

Fair Value of Share Rights Granted

The assessed fair value at grant date of share rights granted during the year ended 30 June 2007 was 34.0 cents per share right (2006: 38.0 cents). 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-tradeable 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.

The model inputs for share rights granted during the year ended 30 June 2007 included:

- (a) rights are granted for no consideration
- (b) exercise price: \$5.15 (2006: \$4.81)
- (c) grant date: 4 September 2006 (2006: 5 September 2005)
- (d) expiry date: 4 September 2011 (2006: 5 September 2010)
- (e) share price at grant date: \$5.20 (2006: \$4.95)
- (f) expected price volatility of the company's shares: 19% (2006: 20%)
- (g) expected dividend yield: 5.0% (2006: 4.6%)
- (h) risk-free interest rate: 6.2% (2006: 5.6%).

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 2007 (2006: 57,892).

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.

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT START OF THE YEAR NUMBER	GRANTED DURING THE YEAR NUMBER	EXERCISED DURING THE YEAR NUMBER	EXPIRED DURING THE YEAR NUMBER	BALANCE AT END OF THE YEAR NUMBER	EXERCISABLE AT END OF THE YEAR NUMBER
Consolidated and Parent - 2007								
10/09/02	10/09/07	\$7.05	57,892	-	-	-	57,892	57,892
Total			57,892	-	-	-	57,892	57,892
Weighted average exercise price per share			\$3.78				\$3.93	\$3.93

NOTES TO THE FINANCIAL STATEMENTS

29. SHARE-BASED PAYMENTS (continued)

GRANT DATE	EXPIRY DATE	EXERCISE PRICE	BALANCE AT START OF THE YEAR NUMBER	GRANTED DURING THE YEAR NUMBER	EXERCISED DURING THE YEAR NUMBER	EXPIRED DURING THE YEAR NUMBER	BALANCE AT END OF THE YEAR NUMBER	EXERCISABLE AT END OF THE YEAR NUMBER
Consolidated and Parent - 2006								
10/09/02	10/09/07	\$7.05	62,892	-	(5,000)	-	57,892	57,892
Total			62,892	-	(5,000)	-	57,892	57,892
Weighted average exercise price per share			\$3.65		\$3.64		\$3.78	\$3.78

There were no non-executive director options exercised during the year. The weighted average exercise price at the date of exercise of options exercised regularly during the year ended 30 June 2006 was \$3.64.

The weighted average remaining contractual life of share options outstanding at the end of the period was 0.20 years (2006: 1.20 years).

As a result of the one-for-one share split 14 November 2003, 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 25.

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	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Rights issued under the Executive Share Rights Plan	786	684	786	684
Value of shares entitlements for the year under employee incentive share plan	704	4,007	202	1,733
	1,490	4,691	988	2,417

30. RELATED PARTY TRANSACTIONS

(a) Key Management and Personnel Compensation

Key management personnel compensation for the years ended 30 June 2007 and 2006 is set out below. The key management personnel are all the directors of the company and the direct reports to the Managing Director.

	REMUNERATION \$	TERMINATION PAYMENTS \$	SHARE-BASED PAYMENTS \$	TOTAL \$
2007	5,812,762	3,568,954	717,310	10,099,026
2006	5,614,741	-	1,617,072	7,231,813

NOTES TO THE FINANCIAL STATEMENTS

30. 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, is set out below.

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

Fees in the amount of \$5,540 (2006: \$82,503) were paid to First NZ Capital Group Limited (FNZC) on normal commercial terms. W R Trotter, who is a director of SKYCITY Entertainment Group Limited, is executive chairman of FNZC.

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

(c) Subsidiaries

Interests in subsidiaries are set out in note 32.

31. BUSINESS COMBINATIONS

Summary of the Effect of Acquisition of Significant Subsidiaries

With effect from 1 July 2006, SKYCITY Entertainment Group Limited acquired all of Village Roadshow Limited's interest in the Village SKYCITY joint venture.

	\$000
Purchase consideration	
Cash paid	32,925
Payable to the vendor	21,300
Direct costs relating to the acquisition	135
Total purchase consideration	54,360
Fair value of net identifiable assets acquired	18,545
Goodwill (note 14)	35,815

The assets and liabilities arising from the acquisition are as follows:

	FAIR VALUE \$000
Property, plant and equipment	17,138
Working capital	(1,360)
Investment in associate	2,500
Other investments	267
Net identifiable assets acquired	18,545

NOTES TO THE FINANCIAL STATEMENTS

32. SUBSIDIARIES

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

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

NAME OF ENTITY	COUNTRY OF INCORPORATION	CLASS OF SHARES	EQUITY HOLDING	
			2007 %	2006 %
Queenstown Casinos Limited	New Zealand	Ordinary	60	60
SKYCITY Action Management Limited	New Zealand	Ordinary	100	100
SKYCITY Auckland Holdings Limited	New Zealand	Ordinary	100	100
SKYCITY Auckland Limited	New Zealand	Ordinary	100	100
SKYCITY Casino Management Limited	New Zealand	Ordinary	100	100
SKYCITY Cinemas Holdings Limited	New Zealand	Ordinary	100	100
SKYCITY Cinemas Limited	New Zealand	Ordinary	100	100
SKYCITY Cinemas New Plymouth Limited	New Zealand	Ordinary	100	-
SKYCITY Cinemas Nominees Limited	New Zealand	Ordinary	100	50
SKYCITY Hamilton Construction Limited (amalgamated)	New Zealand	Ordinary	-	100
SKYCITY Hamilton Limited	New Zealand	Ordinary	100	100
SKYCITY International Holdings Limited	New Zealand	Ordinary	100	100
SKYCITY Investments (Australia) Limited	New Zealand	Ordinary	100	100
SKYCITY Investments (Christchurch) Limited	New Zealand	Ordinary	100	100
SKYCITY Management 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
Toptown Nominees Limited	New Zealand	Ordinary	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 (amalgamated)	Australia	Ordinary	-	100
SKYCITY Darwin Pty Limited	Australia	Ordinary	100	100
Territory Property Trust (amalgamated)	Australia	Ordinary	-	100
SKYCITY International ApS	Denmark	Ordinary	100	100
SKYCITY Cinemas (Fiji) Limited	Fiji	Ordinary	100	100

NOTES TO THE FINANCIAL STATEMENTS

33. INTERESTS IN JOINT VENTURES

	INTERESTS HELD BY THE GROUP	
	2007 %	2006 %
Name of entity	Principal activities	
Village SKYCITY Cinemas JV*	Cinema owner/operator	- 50
Rialto Cinemas JV	Cinema owner/operator	50 25
Damodar Village SKYCITY Fiji Cinemas JV	Cinema owner/operator	67 33

	CONSOLIDATED		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Share of partnership's revenue, expenses and results				
Revenues	8,576	31,721	-	-
Expenses	(8,123)	(27,550)	-	-
Net contribution to Group operating surplus	453	4,171	-	-
Total share of assets employed in joint venture	8,539	38,454	-	-

* With effect from 1 July 2006, SKYCITY Entertainment Group Limited purchased Village Roadshow Limited's interest in the above joint venture. As a result the Village SKYCITY Cinemas joint venture became part of a subsidiary company.

34. CONTINGENCIES

There are no significant contingences at year end.

35. COMMITMENTS

Capital Commitments

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

	CONSOLIDATED		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Property, plant and equipment	70,643	10,888	-	-

Operating Leases

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.

NOTES TO THE FINANCIAL STATEMENTS

35. COMMITMENTS (continued)

	CONSOLIDATED		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	16,583	7,335	-	-
Later than one year but not later than five years	55,603	26,759	-	-
Later than five years	316,691	259,039	-	-
	388,877	293,133	-	-

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

	CONSOLIDATED		PARENT	
	2007 \$000	2006 \$000	2007 \$000	2006 \$000
Profit for the year	98,402	120,129	63,639	71,871
Minority interest	28	(381)	-	-
Depreciation and amortisation	72,226	65,016	254	131
Interest expense	92,633	74,838	9,964	9,033
Current period employee share entitlement	704	3,818	704	3,818
Current period share options expense	786	874	786	874
Gain on sale of fixed assets	(3,383)	-	-	-
Release from foreign currency translation reserve	(3,345)	-	-	-
Dividend from subsidiary	-	-	(100,311)	(106,251)
Fair value adjustment to investment property	-	166	-	-
Fair value adjustment on financial assets at fair value through profit or loss	-	(4,107)	-	-
Subsidiary funding transactions	-	-	36,540	(97,909)
Share of profits of associates not received as dividends or distributions	(24)	(1,239)	-	-
Change in operating assets and liabilities				
(Increase)/decrease in receivables and prepayments	(193)	6,355	2,771	(31,242)
(Increase)/decrease in inventories	(282)	141	-	-
Increase/(decrease) in future income tax benefit	10,689	(10,283)	-	-
Increase/(decrease) in payables and accruals	18,725	3,771	(47,662)	129,480
(Decrease)/increase in provision for deferred income tax	(7,604)	22,319	-	-
Decrease/(increase) in provision for income taxes receivable	21,467	(34,533)	-	-
Capital items included in working capital movements	(33,346)	3,891	-	-
Net cash inflow from operating activities	267,483	250,775	(33,315)	(20,195)

NOTES TO THE FINANCIAL STATEMENTS

37. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Profit Distribution Plan

On 20 August 2007, the directors resolved to make a pro-rata issue of bonus shares in respect of the year ended 30 June 2007. The bonus shares will be issued to all shareholders on the company's register at the close of business on Monday, 10 September 2007. The number of bonus shares to be issued is calculated as 12 cents per share divided by the strike price. The strike price is set as the weighted average price of shares traded on the NZSX during the five days from 11 to 17 September. Shareholders will be able to elect to have the company buy back some or all of the 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 the bonus shares will be fully imputed by the company.

The bonus shares will be issued and buyback proceeds paid to shareholders on Friday, 5 October 2007.

SHAREHOLDER INFORMATION

TWENTY LARGEST SHAREHOLDERS AS AT 20 AUGUST 2007

	NUMBER OF SHARES	% OF SHARES
1 UBS Global Asset Management Group*	34,791,849	7.72%
2 Investors Mutual Limited	31,749,220	7.04%
3 AXA Group	14,344,548	3.18%
4 Westpac Equity Investments NZ Limited	14,062,000	3.12%
5 AMP Capital Investors	11,013,263	2.44%
6 Barclays Global Investors Group	10,387,763	2.30%
7 State Street Global Advisors Group	10,104,616	2.24%
8 Accident Compensation Corporation	9,565,891	2.12%
9 Tyndall Investment Management NZ Limited	9,105,618	2.02%
10 Commonwealth Bank Group/Colonial First State Global Asset Management	8,437,387	1.87%
11 Brook Asset Management Limited	8,084,332	1.79%
12 Columbia Wanger Asset Management	7,873,349	1.75%
13 ABN AMRO Craigs Ltd (Private Clients)	7,696,619	1.71%
14 Nomura Asset Management	7,386,190	1.64%
15 First NZ Securities (Private Clients)	6,928,785	1.54%
16 Tower Asset Management	6,788,846	1.51%
17 ING Group	5,870,184	1.30%
18 PM Capital Limited	5,533,320	1.23%
19 Sumitomo Mitsui Asset Management Co Limited	4,085,471	0.91%
20 UBS Wealth Management (Private Clients)*	3,565,928	0.79%
TOTAL	217,375,179	48.22%

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

The analysis as set out above has been compiled based on information provided by Thomson Financial Pty Limited. As at 20 August 2007 SKYCITY was the holder of 3,822,119 ordinary shares, as treasury stock. The shares held by SKYCITY are not included in the table above.

On 5 September 2007, E W Davies exercised options issued under the Managing Director Share Option Plan 2002, and as at 14 September 2007 beneficially held 5,129,725 shares.

Total shares on issue as at 20 August 2007 were 450,709,087. Additional shares have been issued subsequent to 20 August 2007 pursuant to the Managing Director Share Option Plan 2002, Non-Executive Director Share Option Plan 2002, Executive Share Option Plan and the SKYCITY Performance Pay Incentive Plan. All treasury stock held by the company as at 20 August 2007 has since been applied to the issue of shares under the Performance Pay Incentive and Option plans. The number of shares on issue as at 14 September 2007 is 452,414,831.

SHAREHOLDER INFORMATION

DISTRIBUTION OF ORDINARY SHARES AND REGISTERED SHAREHOLDINGS AS AT 20 AUGUST 2007

	NUMBER OF SHAREHOLDERS	NUMBER OF SHARES
1 – 1,000	3,761	1,561,387
1,001 – 5,000	11,442	29,899,538
5,001 – 10,000	3,438	24,259,248
10,001 – 100,000	3,233	71,606,130
>100,000	172	323,382,784
TOTAL	22,046	450,709,087

As at 20 August 2007 there were 1,036 holdings of less than 137 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 A\$500.

SUBSTANTIAL SECURITY HOLDERS

In accordance with section 26(1) of the Securities Markets Act 1988, the following persons had given notice as at 20 August 2007 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	3 July 2007	49,993,089	11.09%
Investors Mutual Limited	16 April 2007	35,152,244	7.28%

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

No further substantial security holder notices had been received as at 14 September 2007.

DIRECTOR AND EMPLOYEE REMUNERATION

REMUNERATION OF DIRECTORS

Non-Executive Directors

Remuneration paid to non-executive directors for services in their capacity as non-executive directors of SKYCITY Entertainment Group Limited during the year ended 30 June 2007 was as listed below.

R H McGeoch (Chairman)	\$200,000
P L Reddy	\$110,000
Sir Dryden Spring	\$102,500
E Toime	\$98,352
W R Trotter	\$100,000
R A McLeod (resigned 30 June 2007)	\$107,500

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 2006/07 financial year or reimbursement of expenses incurred in relation to company matters, or as is disclosed elsewhere in this annual report.

Executive Directors

On 25 June 2007 Evan Davies resigned as Managing Director of the company. During the 2006/07 year Mr Davies was paid a salary of \$1,002,885.

In October 2006 Mr Davies was paid variable remuneration relative to the 2005/06 financial year in the amount of \$1,045,000. In accordance with the Managing Director Share Rights Terms and the issue of Restricted Shares, as approved by shareholders at the company's 2005 annual meeting, this variable component in respect of the 2005/06 year was paid 50% in cash and 50% in equity, comprising 25% as restricted shares and 25% as share rights.

No performance incentive was paid to Mr Davies in respect of the 2006/07 financial year.

On his departure from the company, Mr Davies was paid three months salary in lieu of notice (\$250,000) plus a settlement payment of \$1,769,230, calculated in accordance with the terms of his employment contract.

Elmar Toime was a non-executive director of the company until his appointment as Executive Director on 25 June 2007.

Mr Toime's appointment as Executive Director is for an initial term of three months on a salary of \$100,000 gross per month, with accommodation on a full board basis and reasonable other costs to be met by the company. During this period Mr Toime will not receive director's fees. The amount shown next to his name (under Non-Executive Directors - refer table) represents non-executive director fees paid to Mr Toime prior to his appointment as Executive Director.

Other Directorships

Christchurch Casinos Limited, in which SKYCITY has a 40.5% interest, paid director's fees of \$40,000 each for E W Davies and A B Ryan. These director's fees were paid to SKYCITY and were not received personally by either Messrs Davies and Ryan.

No director remuneration was received by the directors of Queenstown Casinos Limited or by the directors of SKYCITY subsidiary companies during the year ended 30 June 2007.

DIRECTOR AND EMPLOYEE REMUNERATION

EMPLOYEE REMUNERATION

The numbers of employees or former employees of the company and its subsidiaries, not being directors of the company, who received remuneration and other benefits in their capacity as employees, the value of which was in excess of \$100,000 and was paid to those employees during the financial year ended 30 June 2007, 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 2007. Remuneration shown below also includes settlement payments and payments in lieu of notice with respect to certain employees upon their departure from the company.

REMUNERATION	EMPLOYEES
\$100,000 – \$109,999	23
\$110,000 – \$119,999	12
\$120,000 – \$129,999	13
\$130,000 – \$139,999	6
\$140,000 – \$149,999	8
\$150,000 – \$159,999	5
\$160,000 – \$169,999	4
\$170,000 – \$179,999	6
\$180,000 – \$189,999	3
\$190,000 – \$199,999	3
\$200,000 – \$209,999	2
\$210,000 – \$219,999	1
\$220,000 – \$229,999	1
\$240,000 – \$249,999	1
\$250,000 – \$259,999	2
\$260,000 – \$269,999	2
\$270,000 – \$279,999	1
\$300,000 – \$309,999	2
\$310,000 – \$319,999	1
\$320,000 – \$329,999	1
\$330,000 – \$339,999	1
\$340,000 – \$349,999	1
\$350,000 – \$359,999	1
\$380,000 – \$389,999	1
\$400,000 – \$409,999	1
\$430,000 – \$439,999	2
\$440,000 – \$449,999	1
\$800,000 – \$809,999	1
\$870,000 – \$879,999	1
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DIRECTORS' DISCLOSURES

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 2007. Notices given by directors during the year ended 30 June 2007 are marked with an asterisk.

R H McGeoch

Aon Risk Services Limited	Member NSW Board of Advice
LIPA Pharmaceuticals Limited	Director
McGeoch Holdings Pty Limited	Director
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

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
Fletcher Building Limited	Director
New Zealand Business and Parliamentary Trust	Trustee
Northport Limited	Director
Port of Tauranga Limited	Director

E Toime

Blackbay Limited, London	Non-Executive Director
Deutsche Post A.G., Germany	Non-Executive Director

W R Trotter

First NZ Capital Group Limited and certain subsidiaries	Executive Chairman
FNZ Holdings Limited and certain subsidiaries*	Executive Chairman

The following details included in the Interests Register as at 30 June 2006, or entered during the year ended 30 June 2007, have been removed during the year ended 30 June 2007.

- R H McGeoch is no longer chairman of Frontiers Group (Australia) Limited or a director of Frontiers Group (UK) Limited, Gullivers Travel Group Limited and Pacific Healthcare Australia Limited
- Sir Dryden Spring is no longer the chairman of Asia 2000 Foundation of New Zealand or of New Zealand APEC Business Advisory Council.
- E Toime is no longer a director of Maltapost plc.

Subsequent to 30 June 2007 Sir Dryden Spring has been appointed to the Advisory Board of Visy Industries Limited.

DIRECTORS' DISCLOSURES

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 2007, as set out below.

	DATE OF ACQUISITION/ DISPOSAL DURING PERIOD	CONSIDERATION	SHARES ACQUIRED/ SHARES (DISPOSED)
R H McGeoch	6 October 2006 ⁽¹⁾	\$1,438	301
	13 April 2007 ⁽¹⁾	\$950	210
P L Reddy	6 October 2006 ⁽¹⁾	\$20,123	4,213
	13 April 2007 ⁽¹⁾	\$13,315	2,942
Sir Dryden Spring	6 October 2006 ⁽¹⁾	\$3,367	705
E Toime	6 October 2006 ⁽¹⁾	\$21,995	4,605
	13 April 2007 ⁽¹⁾	\$14,555	3,216
W R Trotter	6 October 2006 ⁽¹⁾	\$94,191	19,720
	13 April 2007 ⁽¹⁾	\$62,328	13,772
E W Davies (resigned 25 June 2007)	31 August 2006 ⁽²⁾	\$1,896,000	600,000
		\$3,090,000	(600,000)
	6 October 2006 ⁽¹⁾	\$57,384	12,014
	30 November 2006 ⁽³⁾	\$159,363	31,808
	13 April 2007 ⁽¹⁾	\$52,647	11,633
R A McLeod (retired 30 June 2007)	6 October 2006 ⁽¹⁾	\$2,297	481
	8 March 2007	\$95,108	20,000
	13 April 2007 ⁽¹⁾	\$3,322	734

⁽¹⁾ The transaction shown represents the issue of bonus shares under the SKYCITY Profit Distribution Plan.

⁽²⁾ The transaction shown relates to the exercise of 150,000 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. These options converted on a 1:4 basis into ordinary shares consequent upon the 1:2 share splits by the company in November 2001 and November 2003.

⁽³⁾ The transaction shown relates to the issue of restricted shares under the Managing Director's incentive remuneration for the year ended 30 June 2006 as approved by shareholders at the annual meeting of the company held on 28 October 2005.

DIRECTORS' DISCLOSURES

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 rights as at 30 June 2007, as set out below.

	SHARES BENEFICIALLY HELD	OPTIONS BENEFICIALLY HELD	SHARE RIGHTS BENEFICIALLY HELD
R H McGeoch	10,757	15,964 ⁽¹⁾	-
P L Reddy	150,863	20,964 ⁽¹⁾	-
Sir Dryden Spring	24,705	-	-
E Toime	164,907	-	-
W R Trotter	706,280	20,964 ⁽¹⁾	-
E W Davies (resigned 25 June 2007)	462,665 ⁽²⁾	2,338,530 ⁽³⁾	687,970 ⁽⁴⁾
R A McLeod (retired 30 June 2007)	37,608	-	-

⁽¹⁾ Options held by non-executive directors as at 30 June 2007 have all been exercised subsequent to that date. As a result, as at 14 September 2007, Mr McGeoch now holds 42,685 shares, Ms Reddy 192,791 shares and Mr Trotter 748,208 shares.

⁽²⁾ The 462,665 shares identified above includes 31,808 restricted shares issued to Mr Davies on 30 November 2006. Of the restricted shares issued to Mr Davies, 16,564 cannot be sold prior to 4 September 2008 and 15,244 cannot be sold prior to 4 September 2009.

⁽³⁾ On 5 September 2007 Mr Davies exercised all 2,338,530 options and as at that date held 5,129,725 shares

⁽⁴⁾ Following cessation of employment the share rights issued to Mr Davies under the Managing Director Share Rights Terms lapse if not exercised within six months after their vesting date. The share rights vest, 303,780 on 4 September 2008 and 384,190 on 4 September 2009.

In addition to the 150,863 shares identified above, Ms Reddy has also disclosed 7,887 shares non-beneficially held.

No directors held any interest in the capital notes of the company as at 30 June 2007.

Options issued to the non-executive directors in 2002 were 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 to Mr Davies were issued pursuant to the Managing Director Share Option Plan approved by shareholders at the annual meeting of the company held on 30 October 2002.

Share Rights issued to Mr Davies are issued pursuant to the Managing Director Share Rights Terms approved by shareholders at the annual meeting of the company held on 28 October 2005.

NOTEHOLDER INFORMATION

Capital Notes

In May 2000, SKYCITY Entertainment Group Limited issued 150 million unsecured subordinated capital notes for a five year term at an issue price of \$1.00. In May 2005 the capital notes were reissued for a new term of five years. 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 19 of the financial statements.

As at 20 August 2007 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 NOTEHOLDERS AS AT 20 AUGUST 2007

	NUMBER OF CAPITAL NOTES	% OF SHARES CAPITAL NOTES
1 Private Nominees Limited	12,075,000	8.05%
2 Investment Custodial Services Limited	6,192,000	4.13%
3 Custodial Services Limited - A/c 3	4,900,500	3.27%
4 Forsyth Barr Custodians Limited - A/c 1M	3,219,000	2.15%
5 FNZ Custodians Limited	2,364,000	1.58%
6 Custodial Services Limited - A/c 2	1,751,000	1.17%
7 Forsyth Barr Custodians Limited - A/c 1L	1,673,000	1.12%
8 Citibank Nominees (New Zealand) Limited	1,362,000	0.91%
9 Guardian Trust Investment Nominees (RWT) Limited	748,000	0.50%
10 Custodial Services Limited - A/c 4	612,000	0.41%
11 Forsyth Barr Custodians Limited - A/c 1H	579,000	0.39%
12 Morrow Plastics Limited	500,000	0.33%
13 Public Trust	500,000	0.33%
14 University of Otago	500,000	0.33%
15 Waikimihia Farm Limited	500,000	0.33%
16 Custodial Services Limited - A/c 1	453,000	0.30%
17 Knox Home Trust Board Incorporated	400,000	0.27%
18 Forsyth Barr Custodians Limited - A/c 1E	395,000	0.26%
19 Colin Alfred Carran & Patricia Anne Carran	300,000	0.20%
20 Sargood Bequest Nominee Limited	300,000	0.20%
TOTAL	39,323,500	26.23%

DISTRIBUTION OF CAPITAL NOTE HOLDINGS AS AT 20 AUGUST 2007

	NUMBER OF NOTEHOLDERS	NUMBER OF CAPITAL NOTES
1 – 1,000	-	-
1,001 – 5,000	372	1,856,925
5,001 – 10,000	725	6,741,250
10,001 – 100,000	1,996	65,584,575
>100,000	83	75,817,250
TOTAL	3,176	150,000,000

SKYCITY ACES INFORMATION

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 on 15 December 2010. For further information refer note 20 of the financial statements.

TWENTY LARGEST SKYCITY ACES HOLDERS AS AT 20 AUGUST 2007

	NUMBER OF SKYCITY ACES	% OF SKYCITY ACES
1 J P Morgan Nominees Australia Limited	282,950	18.86%
2 UBS Nominees Pty Limited	191,861	12.80%
3 Brispot Nominees Pty Limited	102,500	6.83%
4 RBC Dexia Investor Services Australia Nominees Pty Limited – GSENIIP A/c	86,924	5.79%
5 ANZ Nominees Limited	81,651	5.44%
6 AMP Life Limited	71,101	4.74%
7 National Nominees Limited	65,000	4.33%
8 RBC Dexia Investor Services Australia Nominees Pty Limited – BKCUST A/c	62,775	4.19%
9 Cogent Nominees Pty Limited – SMP Accounts	52,546	3.50%
10 Goldman Sachs JB Were Capital Markets Limited	42,380	2.83%
11 UBS Wealth Management Australia Nominees Pty Limited	42,100	2.81%
12 Citicorp Nominees Pty Limited	40,660	2.71%
13 Cogent Nominees Pty Limited	32,285	2.15%
14 ANZ Trustees Limited	19,636	1.31%
15 Citicorp Nominees Pty Limited – A/c 14	18,162	1.21%
16 Citicorp Nominees Pty Limited – A/c 5	18,000	1.20%
17 MF Custodians Limited	11,137	0.74%
18 Bond Street Custodians Limited	10,000	0.67%
19 Citicorp Nominees Pty Limited – Australia A/c	6,000	0.40%
20 RPG Management Pty Limited	5,180	0.35%
TOTAL	1,242,848	82.86%

DISTRIBUTION OF SKYCITY ACES HOLDINGS AS AT 20 AUGUST 2007

	NUMBER OF SKYCITY ACES HOLDERS	NUMBER OF SKYCITY ACES
1 – 1,000	700	162,691
1,001 – 5,000	41	89,282
5,001 – 10,000	4	26,359
10,001 – 100,000	14	644,357
>100,000	3	577,311
TOTAL	762	1,500,000

COMPANY DISCLOSURES

STOCK EXCHANGE LISTINGS

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

SKYCITY ENTERTAINMENT GROUP LIMITED

E W Davies resigned as Managing Director of SKYCITY Entertainment Group Limited on 25 June 2007 and R A McLeod resigned as a director effective 30 June 2007.

SUBSIDIARY COMPANIES

The changes to subsidiary company directorships during the 12 month period ended 30 June 2007 are set out below.

On 8 December 2006, M J Silberling resigned as a director and secretary and R H McGeoch was appointed a director and secretary of SKYCITY Adelaide Pty Limited, SKYCITY Australia Finance Pty Limited and SKYCITY Australia Pty Limited.

In relation to the following companies, E W Davies resigned as a director effective 25 June 2007 and E Toime was appointed as a director effective 26 June 2007.

Planet Hollywood (Civic Centre) Limited; Queen Street Operations Limited; Sky Tower Limited; SKYCITY Action Management Limited; SKYCITY Adelaide Pty Limited; SKYCITY Auckland Holdings Limited; SKYCITY Auckland Limited; SKYCITY Australia Finance Pty Limited; SKYCITY Australia Pty Limited; SKYCITY Casino Management Limited; SKYCITY Cinema Holdings Limited; SKYCITY Cinemas Limited; SKYCITY Cinemas New Plymouth Limited; SKYCITY Cinemas Nominees Limited; SKYCITY Cinemas Queen Street Nominees Limited; SKYCITY Darwin Pty Limited; SKYCITY Hamilton Limited; SKYCITY International ApS; SKYCITY International Holdings Limited; SKYCITY Investments Christchurch Limited; SKYCITY Investments Queenstown Limited; SKYCITY Management Limited; SKYCITY Metro Limited; SKYCITY Wellington Limited; Toptown Nominees Limited; Queenstown Casinos Limited.

E W Davies resigned as a director, effective 25 June 2007, from SKYCITY Investments Australia Limited, Fernbank Pty Limited and SKYCITY Darwin Holdings Pty Limited, and as an alternate director effective 25 June 2007 from the following companies: Victoria Hotels (Christchurch) Limited, Christchurch Hotels Limited, Premier Hotels (Christchurch) Limited and Christchurch Casinos Limited.

R A McLeod resigned as a director of SKYCITY Investments Australia Limited, effective 30 June 2007.

The following held office as directors of subsidiaries of SKYCITY Entertainment Group Limited as at the end of the 2007 financial year, being 30 June 2007.

Sky Tower Limited; SKYCITY Action Management Limited; SKYCITY Auckland Holdings Limited; SKYCITY Auckland Limited; SKYCITY Casino Management Limited; SKYCITY Hamilton Limited; SKYCITY International Holdings Limited; SKYCITY Investments Christchurch Limited; SKYCITY Investments Queenstown Limited; SKYCITY Management Limited; SKYCITY Wellington Limited; Toptown Nominees Limited.
Directors: A B Ryan, E Toime.

SKYCITY Adelaide Pty Limited; SKYCITY Australia Finance. Pty Limited; SKYCITY Australia Pty Limited.
Directors: R H McGeoch, A B Ryan, E Toime.

SKYCITY Darwin Pty Limited.
Directors: A B Ryan, E Toime, T A K Wilson.

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

SKYCITY International ApS.
Directors: B Kreiborg, E Toime, J van Rijn.
A B Ryan is an alternate director for E Toime.

COMPANY DISCLOSURES

Queenstown Casinos Limited.

Directors: A B Ryan, E Toime (both SKYCITY representatives on the board), P J Hensman, B C Thomas.

SKYCITY Investments Australia Limited.

Directors: R H McGeoch, P L Reddy, Sir Dryden Spring, E Toime, W R Trotter.

Planet Hollywood (Civic Centre) Limited; Queen Street Operations Limited; SKYCITY Cinema Holdings Limited; SKYCITY Cinemas Limited; SKYCITY Cinemas New Plymouth Limited; SKYCITY Cinemas Nominees Limited; SKYCITY Cinemas Queen St Nominees Limited; SKYCITY Metro Limited; Toptown Nominees Limited.

Directors: A B Ryan, E Toime.

P J Holdaway is an alternate director for each of A B Ryan and E Toime.

SKYCITY Cinemas (Fiji) Limited.

Directors: D Damodar, P J Holdaway.

Subsequent to balance date, the following change occurred in the directorships of the Group companies.

On 24 July 2007, J van Rijn resigned as a director and C U B Birger-Christensen was appointed a director of SKYCITY International ApS.

At 30 June 2007 SKYCITY also had an interest in, and was represented by SKYCITY executives on the boards of the companies listed below.

Christchurch Casinos Limited.

SKYCITY representatives on the board: A B Ryan.

D A Sullivan was appointed a director on 6 August 2007.

Christchurch Hotels Limited; Premier Hotels Limited; Victoria Hotels (Christchurch) Limited.

SKYCITY representative on the boards: A B Ryan.

Force Location Limited.

SKYCITY representatives on the board:

P J Holdaway, E Toime.

Rialto Cinemas Limited.

SKYCITY representatives on the board:

K V Brewer, P J Holdaway.

K V Brewer resigned as a director on 10 September 2007.

Vista Entertainment Solutions Limited.

SKYCITY representatives on the board:

K V Brewer, A B Ryan.

K V Brewer resigned as a director on 10 September 2007.

OTHER INFORMATION

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 during, 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 (general provisions relating to the issue of securities requiring NZX approval/waiver) in respect of the company's 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 H R Shotter in the company's (renewed) Performance Pay Incentive Plan 2005.

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

OPTION AND SHARE RIGHTS HOLDERS

As at 14 September 2007, options and share rights on issue were as detailed below.

- 1,278,834 options issued under the Executive Share Option Plan approved by directors of the company in August 2002, held by 14 holders. The options have no voting rights but 448,000 of the options entitle the holders to two shares on exercise of each option and the balance of 830,834 entitle the holders to one share on exercise of each option. As at 14 September 2007, the exercise price per option (which escalates by the cost of equity less distributions) was \$10.34 (\$5.17 per share) for 448,000 options and \$4.96 for 830,834 options.
- 2,536,970 share rights issued under the Executive Share Rights Plan approved by directors of the company in December 2004, held by 24 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). As at 14 September 2007, the exercise value per right (which escalates by the cost of equity less distributions) was \$5.23 for 766,000 rights and \$5.33 for 1,770,970 rights.

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.

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

OTHER INFORMATION

relevant regulatory authority as an associated casino person of any casino licence holder, then the votes attaching to all shares held by the transferee and the persons associated with that transferee are suspended unless and until either:

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

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

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

DONATIONS

Donations of \$13,898 (\$235,518) were made by the company during the 12 month period ended 30 June 2007.

OTHER LEGISLATION/REQUIREMENTS

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

following paragraphs.

Other than the provisions noted on page 141, 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 on 20 August 2007 in respect of the year ended 30 June 2007 and this annual report.

DIRECTORY

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