

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2005

1. SEGMENT INFORMATION

	NEW ZEALAND		AUSTRALIA		TOTAL	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000
GEOGRAPHIC SEGMENTS						
Assets	1,028,490	948,833	476,068	226,126	1,504,558	1,174,959
Revenue	485,000	469,916	199,231	124,241	684,231	594,157
Result						
Segment	188,646	193,982	34,475	18,006	223,121	211,988
Interest expense	(51,688)	(34,495)	(29,347)	(14,068)	(81,035)	(48,563)
Non-recurring item	–	–	–	(20,904)	–	(20,904)
Net segment result	136,958	159,487	5,128	(16,966)	142,086	142,521

The result is that of the Group before income tax and minority interest. The 2004 non-recurring item related to the write-off of the Canbet Limited investment.

The Group currently operates in the entertainment, leisure and recreation, and tourism sectors.

2. REVENUE

	CONSOLIDATED		PARENT COMPANY	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Sales revenue	671,941	590,479	–	–
Investment revenue				
Share of associated company profit after tax	26	117	–	–
Dividends from associated companies	225	163	–	–
Dividends from wholly-owned entities	–	–	133,467	130,000
Dividends from related entities	5,399	–	–	–
Interest received	4,846	1,898	2,505	598
Inter-company interest received	–	–	–	1,231
Other revenue				
Foreign currency gains	1,794	1,500	–	–
Other revenue	–	–	2,653	7,163
Total revenue	684,231	594,157	138,625	138,992

3. EXPENSES

FOR THE YEAR ENDED 30 JUNE 2005	CONSOLIDATED		PARENT COMPANY	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Included within expenses are the following items:				
Depreciation – buildings	15,504	10,190	–	–
Depreciation – plant and equipment	33,833	29,186	13	5
Depreciation – motor vehicles	175	48	–	–
Depreciation – furniture and fittings	6,171	5,244	1	8
Depreciation – other	67	–	–	–
Total depreciation	55,750	44,668	14	13
Loss on sale of property, plant and equipment	632	–	–	–
Rental expense on operating leases	7,768	7,674	55	56
Employee remuneration	185,790	160,675	10,985	10,970
Foreign currency translation losses	–	92	–	–
Costs of offering credit				
Bad debts written-off	–	1	–	–
Increase in estimated doubtful debts	444	363	–	–
Cost of borrowings				
Interest paid	79,367	46,656	13,158	14,050
Other funding expenses	1,668	1,907	286	–
Governance expenses				
Directors' fees*	978	392	966	362
Fees paid to principal auditors				
Audit:				
Compliance audit fees	15	360	15	–
Statutory audit fees	560	315	88	36
	575	675	103	36
Audit-related services:				
Accounting advice and assistance	96	131	96	87
Financial due diligence	333	555	–	–
IT project quality assurance	–	71	–	–
International Financial Reporting Standards accounting assistance	130	156	–	–
Tax compliance services	305	205	–	182
	864	1,118	96	269
Other services:				
Taxation advisory services	1,097	603	–	235
	1,097	603	–	235
Audit fees paid to other auditors	38	51	–	–
Total amounts paid to auditors	2,574	2,447	199	540
Sundry expenses				
Community trust and donations	4,311	3,350	–	–
Unusual items				
Write-down of investment in subsidiary	–	–	–	2,214
Write-off of investment in associate	–	20,904	–	–

* In July 2004 a retirement allowance was paid to Jon Hartley who retired as chairman on 31 March 2004. At July 2004 the retirement allowance provisions for directors were discontinued and the existing retirement entitlements were frozen and accrued. At the same time directors' fees were increased by an amount equal to the loss of the continuing retirement benefit accrual.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2005

4. SHARE CAPITAL

	CONSOLIDATED		PARENT COMPANY	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
ISSUED AND PAID-UP CAPITAL				
Ordinary shares				
Balance at the beginning of the year	225,871	246,518	225,871	246,518
Shares issued under dividend reinvestment plan	6,106	–	6,106	–
Exercise of share options	4,685	4,193	4,685	4,193
Shares issued under employee bonus scheme	2,869	2,816	2,869	2,816
Shares repurchased and cancelled	(13,754)	(27,656)	(13,754)	(27,656)
Closing share capital	225,777	225,871	225,777	225,871

ORDINARY SHARES

As at 30 June 2005 there were 417,613,974 shares issued and fully paid (2004: 416,401,490). All ordinary shares rank equally with one vote attached to each fully-paid ordinary share.

DIVIDEND REINVESTMENT PLAN

Pursuant to the Dividend Reinvestment Plan approved by the board of directors on 17 February 2005 1,212,484 shares were issued in lieu of a cash dividend (2004: nil). The strike price was \$5.0356 (2004: n/a).

EXECUTIVE SHARE OPTION PLAN

1999 Plan

Options issued prior to 2002 are pursuant to the Executive Share Option Plan approved by shareholders at the annual meeting of the company held on 28 October 1999. Options issued under the 1999 Plan are not exercisable 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.

2002 Plan

Options have also been issued pursuant to the Executive Share Option Plan approved by the board in August 2002. Options issued to executives under the 2002 Plan are 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 between the issue date and the exercise date of the options.

Movements in the number of share options outstanding under the 1999 and 2002 Executive Share Option Plans are as below.

	CONSOLIDATED		PARENT COMPANY	
	2005	2004	2005	2004
Balance at the beginning of the year	5,288,459	4,798,140	5,288,459	4,798,140
Granted	2,475,500	1,062,000	2,475,500	1,062,000
Exercised	(526,595)	(435,348)	(526,595)	(435,348)
Lapsed	(399,334)	(136,333)	(399,334)	(136,333)
Balance at the end of the year (number of options)	6,838,030	5,288,459	6,838,030	5,288,459

4. SHARE CAPITAL (CONTINUED)

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

ISSUE DATE	EXPIRY DATE	BASE EXERCISE PRICE AT DATE OF ISSUE	OPTION VALUE AT DATE OF ISSUE	CONSOLIDATED		PARENT COMPANY	
				2005	2004	2005	2004
30/08/00	30/08/05	\$7.68	\$0.37	–	348,429	–	348,429
04/09/01	04/09/06	\$11.61	\$0.82	459,000	539,500	459,000	539,500
10/09/02	10/09/07	\$7.05	\$0.46	3,238,863	3,395,530	3,238,863	3,395,530
09/09/03	09/09/08	\$8.83	\$0.58	865,667	1,005,000	865,667	1,005,000
09/09/03	09/09/08	\$4.42	\$0.29	450,000	–	450,000	–
08/09/04	08/09/09	\$4.44	\$0.31	1,824,500	–	1,824,500	–
				6,838,030	5,288,459	6,838,030	5,288,459

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

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, 62,892 options remain on issue to non-executive directors as at 30 June 2005 (2004: 129,211).

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 June 2003 and was not renewed.

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

	CONSOLIDATED		PARENT COMPANY	
	2005	2004	2005	2004
Balance at the beginning of the year	129,211	150,175	129,211	150,175
Exercised	(66,319)	(20,964)	(66,319)	(20,964)
Balance at the end of the year (number of options)	62,892	129,211	62,892	129,211

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

ISSUE DATE	EXPIRY DATE	BASE EXERCISE PRICE AT DATE OF ISSUE	OPTION VALUE AT DATE OF ISSUE	CONSOLIDATED		PARENT COMPANY	
				2005	2004	2005	2004
04/09/01	04/09/06	\$11.61	\$0.82	–	24,390	–	24,390
10/09/02	10/09/07	\$7.05	\$0.48	62,892	104,821	62,892	104,821
				62,892	129,211	62,892	129,211

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2005

4. SHARE CAPITAL (CONTINUED)

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

OPTION VALUATION

The options are valued using the Black-Scholes model. The calculation is prepared by Deloitte Corporate Finance and reviewed by PricewaterhouseCoopers as auditors. Under this calculation the value of all options issued during the year was \$627,905 (2004: \$746,460).

REPURCHASE AND CANCELLATION OF SHARES

On 2 September 2004, SKYCITY Entertainment Group Limited announced that it would commence a share buyback programme of the company's shares from 8 September 2004. The share buyback programme was completed on 29 April 2005. Summary details are set out below.

DATE	SHARES REPURCHASED	AVERAGE PURCHASE PRICE
September 2004	818,535	4.46
October 2004	593,010	4.43
November 2004	9,614	4.65
February 2005	20,000	4.89
March 2005	160,000	4.94
April 2005	1,398,841	4.58
Total shares repurchased	3,000,000	4.58

Of the three million shares bought back during the financial year, 2,788,163 shares have been cancelled to offset shares that have been issued to employees in relation to incentive and option share entitlements and 211,837 shares are held as treasury stock as at 30 June 2005.

5. RESERVES

	CONSOLIDATED		PARENT COMPANY	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Foreign currency translation reserve	(22,601)	(14,172)	–	–
Employee share entitlement reserve	4,653	6,662	4,653	6,662
Total reserves	(17,948)	(7,510)	4,653	6,662
ANALYSIS				
Foreign currency translation reserve				
Balance at the beginning of the year	(14,172)	(4,219)	–	–
Effect of hedging the net investment of overseas subsidiaries	4,052	(3,885)	–	–
Exchange difference on translation of overseas subsidiaries	(12,481)	(6,068)	–	–
Balance at the end of the year	(22,601)	(14,172)	–	–
Employee share entitlement reserve				
Balance at the beginning of the year	6,662	6,151	6,662	6,151
Less value of shares issued during the year	(2,869)	(2,816)	(2,869)	(2,816)
Less cash issued in lieu of shares	(9)	(9)	(9)	(9)
Plus value of share entitlements for the current year	869	3,336	869	3,336
Balance at the end of the year	4,653	6,662	4,653	6,662

5. RESERVES (CONTINUED)

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 2005. 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 2003 through 30 June 2005.

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

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

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

6. RETAINED EARNINGS

	CONSOLIDATED		PARENT COMPANY	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Balance at the beginning of the year	(7,274)	(7,492)	(30,174)	(35,001)
Net surplus for the year	104,007	100,222	107,802	104,831
Dividends paid	(114,658)	(100,004)	(114,658)	(100,004)
Balance at the end of the year	(17,925)	(7,274)	(37,030)	(30,174)
Composition				
Parent and subsidiaries	(18,658)	(7,981)		
Associates	733	707		
	(17,925)	(7,274)		

7. DIVIDENDS

	CONSOLIDATED		PARENT COMPANY	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Ordinary dividends				
Interim dividend paid in cash or reinvested (refer note 4)	50,130	45,691	50,130	45,691
Prior year final dividend paid in cash	64,528	54,313	64,528	54,313
Total dividends	114,658	100,004	114,658	100,004

The dividends are fully imputed.

Subsequent to year end the board of directors resolved to pay a final dividend of 12.0 cents per ordinary share, a total of \$50,113,677. The dividend will be paid on 7 October 2005 to all shareholders on the company's register at the close of business on Friday, 23 September 2005.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2005

8. IMPUTATION CREDITS

	CONSOLIDATED	
	2005 \$000	2004 \$000
Imputation credit account		
Balance at the beginning of the year	9,636	7,435
Tax payments, net of refunds	18,716	45,398
Credits attached to dividends paid	(54,232)	(49,255)
Supplementary tax credits	8,555	6,058
Balance at the end of the year	(17,325)	9,636

As required by relevant tax legislation, the imputation credit account had a credit balance as at 31 March 2005. The current debit balance is a result of imputation credits attached to the interim dividend paid in April 2005.

9. MINORITY INTERESTS

	CONSOLIDATED	
	2005 \$000	2004 \$000
Balance at the beginning of the year	3,516	5,607
Share of surpluses in subsidiaries	1,111	1,899
Increased shareholding in SKYCITY Hamilton Limited and SKYCITY Leisure Limited	(1,783)	(5,190)
Minority interest in contributions from owners	–	1,200
Balance at the end of the year	2,844	3,516

SKYCITY HAMILTON LIMITED (formerly Riverside Casino Limited)

On 30 June 2004, SKYCITY Entertainment Group Limited purchased the 15% of SKYCITY Hamilton Limited owned by Tainui Developments Limited.

With effect from 30 June 2005, SKYCITY Entertainment Group Limited purchased the remaining 30% of SKYCITY Hamilton Limited. All prior period minority interest relating to this 30% shareholding in SKYCITY Hamilton Limited is now reflected in the fair value and goodwill relating to the SKYCITY Hamilton Limited investment.

SKYCITY LEISURE LIMITED

From 30 June 2004, SKYCITY Leisure Limited was treated as a wholly-owned subsidiary of SKYCITY Entertainment Group Limited following the issuance of compulsory acquisition notices to outstanding ordinary share and mandatory convertible note holders on 15 June 2004.

10. BORROWINGS

	CONSOLIDATED		PARENT COMPANY	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
CURRENT				
Secured				
Bank loans	758	1,000	–	–
Unsecured				
Bank loans	–	100,000	–	–
Total current borrowings	758	101,000	–	–
NON-CURRENT				
Secured				
Bank loans	52	66,827	–	–
	52	66,827	–	–
Unsecured				
Unsecured loans	961,671	517,000	–	–
Less deferred funding expenses	(4,928)	(3,860)	–	–
Total non-current borrowings	956,795	579,967	–	–

SYNDICATED BANK FACILITY

At 30 June 2005, SKYCITY Entertainment Group Limited had in place a \$650,000,000 (2004: \$1,000,000,000) facility on an unsecured, negative pledge basis. The funding syndicate is comprised of ANZ National Bank Limited, Bank of New Zealand Limited and Commonwealth Bank of Australia, New Zealand Branch. During the year the \$350,000,000 bridging tranche of the facility was repaid and cancelled. As at 30 June 2005 the undrawn amount is \$260,000,000 (2004: \$387,000,000).

UNITED STATES PRIVATE PLACEMENT

During the year, SKYCITY Entertainment Group Limited approached investors in the US private placement market with the intention of diversifying funding sources and lengthening the borrowing term. As a result of this, on 15 March 2005, SKYCITY Entertainment Group Limited borrowed a combination of New Zealand dollars, Australian dollars and US dollars from private investors (primarily US based) on an unsecured basis (as at 30 June 2005, NZ\$565,670,000 equivalent in total). The funds were comprised as below.

MATURING	NEW ZEALAND DOLLARS \$000	UNITED STATES DOLLARS \$000	AUSTRALIAN DOLLARS \$000
March 2012	47,275	200,500	74,900
March 2017	–	27,000	–
March 2020	21,127	–	–
Total	68,402	227,500	74,900

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2005

10. BORROWINGS (CONTINUED)

All US dollar borrowing has been converted to New Zealand dollars by way of cross-currency interest rate swaps.

SKYCITY HAMILTON LIMITED

At balance date, SKYCITY Hamilton Limited had an unsecured bank facility of \$18,000,000 (2004: \$19,000,000) of which \$6,000,000 was drawn down (2004: \$9,000,000). Since balance date, this facility has been repaid and cancelled.

SKYCITY LEISURE GROUP

At balance date, SKYCITY Cinemas Fiji Limited had a bank term loan facility of F\$908,432 (NZ\$758,000) (2004: F\$869,899 (NZ\$760,202) secured by first mortgage over the Fiji multiplex. Since balance date, this facility has been repaid and cancelled.

During the year, a bank term loan facility (2004: \$37,405,000) in the name of SKYCITY Leisure Limited and a bank cash advance facility (2004: \$20,500,000) in the name of SKYCITY Metro Limited were both repaid and cancelled.

At balance date, Village Rialto Cinemas Limited had a drawn-down bank term loan facility of \$210,000. SKYCITY Entertainment Group Limited's share is \$52,500 (2004: \$210,000) and is secured by registered mortgage debenture over Village Rialto Cinemas Limited (SKYCITY Entertainment Group Limited has a 25% interest in Village Rialto Cinemas Limited). Village SKYCITY Cinemas Limited provides a guarantee for 50% of the outstanding facility.

WEIGHTED AVERAGE INTEREST RATE

The weighted average interest rate on the Group's funding facilities (inclusive of margin and hedging derivatives) incurred during the year ended 30 June 2005 was 7.62% (2004: 7.13%).

11. DEFERRED TAX LIABILITY

	CONSOLIDATED		PARENT COMPANY	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Non-current				
Balance at the beginning of the year	27,216	24,683	–	–
Prior year timing differences	1,100	770	–	–
Current year movements	4,759	2,722	–	–
Foreign currency adjustment	24	(959)	–	–
Impact of purchase, disposal and amalgamation of subsidiaries	2,351	–	–	–
Balance at the end of the year	35,450	27,216	–	–

12. INCOME TAX

	CONSOLIDATED		PARENT COMPANY	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Surplus before tax	142,086	142,521	107,802	104,831
Permanent differences				
Acquisition of SKYCITY Darwin Holdings Pty Limited	(4,472)	–	–	–
Dividends received	–	–	(133,467)	(130,000)
Capitalised interest	(4,716)	(4,160)	–	–
Previously unrecognised tax losses and timing differences	–	(28,198)	–	–
Non-deductible write-off of associate	–	20,904	–	–
Inter-company eliminations	–	–	25,248	24,609
Share of associates' tax-paid earnings	(26)	–	–	–
Non-taxable income	(3,417)	–	–	–
Expenditure not deductible for tax	9,229	3,172	417	560
Additional depreciable value	(616)	(588)	–	–
Future income tax benefits not recognised	–	148	–	–
Adjustment for other tax rates	(10,535)	(9,886)	–	–
Foreign exchange rate differences	(180)	382	–	–
Tax effect of imputation credits on taxable dividends	(4,556)	–	–	–
Share of partnership expenditure	(10,893)	–	–	–
Foreign exchange variations	(1,153)	–	–	–
Over-provision in prior years	1,273	(1,870)	–	–
Surplus subject to tax	112,024	122,425	–	–
Tax at 33%	36,968	40,400	–	–
Income tax recognised in the Statements of Financial Performance	36,968	40,400	–	–
Comprising:				
Current taxation	31,702	46,204	–	–
Future income tax benefit	87	(8,017)	–	–
Overestimation in prior years	420	(509)	–	–
Deferred income tax liability	4,759	2,722	–	–
	36,968	40,400	–	–

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

At 30 June 2005 the Group has income tax receivable of \$12,905,000 (2004: \$9,998,860).

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13. PAYABLES AND ACCRUALS

	CONSOLIDATED		PARENT COMPANY	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Current				
Trade creditors	24,802	12,439	105	–
Accrued expenses	49,366	53,782	1,679	1,891
Amounts due to subsidiaries	–	–	285,971	–
Employee entitlements	23,129	16,296	–	–
Purchase of minority interest in subsidiary	–	11,102	–	–
	97,297	93,619	287,755	1,891

14. SUBORDINATED DEBT – CAPITAL NOTES

	CONSOLIDATED		PARENT COMPANY	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Balance at the beginning of the year	150,000	150,000	150,000	150,000
Matured during the year	(150,000)	–	(150,000)	–
Reissued during the year	121,687	–	121,687	–
Balance at the end of the year	121,687	150,000	121,687	150,000
Deferred expenses at cost	356	1,875	356	1,875
Accumulated amortisation	(179)	(1,519)	(179)	(1,519)
Balance at the end of the year	177	356	177	356
Net capital notes at the end of the year	121,510	149,644	121,510	149,644

In May 2000, SKYCITY Entertainment Group Limited issued 150 million unsecured subordinated capital notes at an issue price of \$1.00 per note. The capital notes offered holders a fixed interest rate until the first election date, being 15 May 2005. Election dates will occur every five years after the first election date.

Prior to the election date, the company must notify holders of the proportion of their capital notes it will redeem (if any) and, if applicable, the new conditions (including 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.

14. SUBORDINATED DEBT – CAPITAL NOTES (CONTINUED)

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

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

Of the 150,000,000 capital notes, the holders of 103,859,750 notes elected to retain capital notes for a further five-year term. The remaining 46,140,250 notes were repurchased by SKYCITY Entertainment Group Limited to be held as treasury stock. On 27 June 2005, 20,000,000 of the notes held as treasury stock were sold into the market. As at 30 June 2005, there were 150,000,000 capital notes on issue of which 121,687,750 are issued with 28,312,250 held as treasury stock by SKYCITY Entertainment Group Limited.

The capital notes have been classified as non-current liabilities based on the 15 May 2010 election date. The 2004 comparative figures were classified as current based on the 15 May 2005 election date.

15. SUBORDINATED DEBT – OTHER

	CONSOLIDATED		PARENT COMPANY	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
ANZ National Bank Limited	100,000	–	–	–
Total	100,000	–	–	–

In June 2005, SKYCITY Entertainment Group Limited arranged a six month fully subordinated facility with ANZ National Bank Limited for \$100,000,000. The facility is fully utilised as at 30 June 2005. This facility matures on 27 December 2005.

16. CONVERTIBLE NOTES

	CONSOLIDATED		PARENT COMPANY	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Balance at the beginning of the year	8,910	13,365	–	–
Conversion to ordinary shares	(8,910)	–	–	–
Minority interest in convertible notes purchased during the year	–	(4,455)	–	–
Balance at the end of the year	–	8,910	–	–

On 30 June 2005, all convertible notes issued by SKYCITY Hamilton Limited were converted to ordinary shares and SKYCITY Entertainment Group Limited acquired the Riverside Trust's 30% interest in SKYCITY Hamilton Limited, to bring its interest to 100%.

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17. PROPERTY, PLANT AND EQUIPMENT

	2005			2004		
	COST OR VALUATION \$000	ACCUM DEP N \$000	BOOK VALUE \$000	COST OR VALUATION \$000	ACCUM DEP N \$000	BOOK VALUE \$000
GROUP						
Buildings						
Buildings at cost	707,505	(95,030)	612,475	492,623	(66,945)	425,678
Land						
Land at cost	95,180	–	95,180	84,224	–	84,224
Plant and equipment						
Plant and equipment at cost	246,989	(159,897)	87,092	218,692	(128,197)	90,495
Motor vehicles						
Motor vehicles at cost	811	(449)	362	358	(304)	54
Fixtures and fittings						
Fixtures and fittings at cost	82,044	(42,989)	39,055	58,936	(37,800)	21,136
Other capital assets						
Capital work in progress	98,494	–	98,494	128,680	–	128,680
	1,231,023	(298,365)	932,658	983,513	(233,246)	750,267
PARENT						
Plant and equipment						
Plant and equipment at cost	432	(196)	236	232	(107)	125
Furniture, fixtures and fittings						
Furniture, fixtures and fittings at cost	88	(48)	40	243	(123)	120
Other capital assets						
Capital work in progress	512	–	512	–	–	–
	1,032	(244)	788	475	(230)	245

Borrowing costs in relation to the funding of the SKYCITY Grand Hotel, SKYCITY Auckland Convention Centre, the gaming expansion and car park building purchases have been capitalised to these projects: \$5,780,011 (2004: \$5,610,912). Total capitalised interest and facility fees included in the cost of land and buildings at 30 June 2005 is \$45,538,629 (2004: \$39,758,618).

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.

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

Part of the SKYCITY Hamilton Limited property was held on trust for Perry Developments Limited. This area comprised the parts of the property not comprising the casino premises and the car park. These areas were to have been transferred to Perry Developments Limited when strata titles were issued for the complex. This interest was purchased by SKYCITY Entertainment Group Limited as part of the acquisition of the remaining minority interest in SKYCITY Hamilton Limited. Drainage rights have been granted over parts of the land appurtenant to Lot 2 Plan 5.23789 (CT22C/1428). There is also a right of way granted over part of Lot 1 and part of Lot 2 DP580554.

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

18. COMMITMENTS

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

	CONSOLIDATED		PARENT COMPANY	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
OPERATING LEASES				
Non-cancellable operating lease commitments:				
Payable not later than one year	11,794	5,710	2	7
Payable later than one, but not later than two years	11,651	6,625	–	2
Payable later than two, but not later than five years	29,779	14,967	–	–
Payable later than five years	261,849	241,405	–	–
	315,073	268,707	2	9
CAPITAL EXPENDITURE				
Amounts committed to capital expenditure	23,563	63,809	–	–

The above capital expenditure relates to purchases of plant and equipment.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2005

19. INVESTMENTS IN SUBSIDIARIES

The parent's investment in subsidiaries comprises shares at cost. Significant subsidiaries (including subsidiaries of subsidiaries) are listed.

NAME OF ENTITY	PRINCIPAL ACTIVITIES	INTEREST HELD BY THE GROUP	
		2005	2004
Abdiel Investments Limited	Property	100%	100%
Queenstown Casinos Limited	Casino premises licence holder	60%	60%
Riverside Fund Limited	Holding company	100%	100%
SKYCITY Action Management Limited	Loyalty programme	100%	100%
SKYCITY Auckland Holdings Limited	Group funding	100%	100%
SKYCITY Auckland Limited	Casino premises licence holder	100%	100%
SKYCITY Casino Management Limited	Casino operator's licence holder	100%	100%
SKYCITY Cinemas (Fiji) Limited	Cinema exhibition	100%	100%
SKYCITY Cinemas Limited	Cinema exhibition	100%	100%
SKYCITY Cinemas (Whangarei) Limited	Cinema exhibition	100%	100%
SKYCITY Construction Limited	Non-trading	100%	100%
SKYCITY Hamilton Construction Limited	Property owner	100%	70%
SKYCITY Hamilton Limited	Casino premises licence holder	100%	70%
SKYCITY International Holdings Limited	Holding company	100%	100%
SKYCITY Investments Auckland Limited	Holding company	100%	100%
SKYCITY Investments Limited	Holding company	100%	100%
SKYCITY Leisure Holdings Limited	Property and administration	100%	100%
SKYCITY Leisure Limited	Holding company	100%	100%
SKYCITY Management (Auckland) Limited	Employment of staff	100%	100%
SKYCITY Metro Limited	Property	100%	100%
SKYCITY Queenstown Investments Limited	Joint venture partner	100%	100%
SKYCITY Wellington Limited	Promotion company	100%	100%
Sky Tower Limited	Non-trading	100%	100%
SKYCITY International ApS	Danish holding company, incorporated in Denmark	100%	100%
SKYCITY Adelaide Pty Limited	Adelaide Casino licence holder and operator, incorporated in Australia	100%	100%
SKYCITY Australia Finance Pty Limited	Group funding, incorporated in Australia	100%	–
SKYCITY Australia Limited Partnership	Group funding, incorporated in Australia	100%	–
SKYCITY Australia Pty Limited	Australian holding company, incorporated in Australia	100%	100%
SKYCITY Darwin Holdings Pty Limited	Darwin holding company, incorporated in Australia	100%	–
SKYCITY Darwin Pty Limited	Darwin Casino licence holder and operator, incorporated in Australia	100%	–
Territory Property Trust	Darwin land holder	100%	–

19. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

SKYCITY Darwin Pty Limited and Territory Property Trust were acquired as part of the 100% acquisition of SKYCITY Darwin Holdings Pty Limited on 22 July 2004.

ACQUISITION OF SUBSIDIARY

SKYCITY Darwin Holdings Pty Limited

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

SUMMARY OF THE EFFECT OF ACQUISITION OF SUBSIDIARIES

	CONSOLIDATED	
	2005 \$000	2004 \$000
Net assets acquired – SKYCITY Darwin		
Working capital balances	(3,167)	–
Property, plant and equipment	94,050	–
Casino licence	38,580	–
Goodwill	92,051	–
Consideration paid (including costs and taxes)	221,514	–
Net cash impact of acquisition of subsidiaries		
SKYCITY Darwin	221,514	–
Less deposit paid in 2004 for SKYCITY Darwin	(25,377)	–
SKYCITY Leisure final stepped acquisition	7,388	–
SKYCITY Hamilton Tainui stepped acquisition	11,102	–
SKYCITY Hamilton Perry stepped acquisition	33,283	–
Net cash impact of acquisitions	247,910	–

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2005

20. INVESTMENTS IN ASSOCIATES

DETAILS OF ASSOCIATES

The parent's investment in associates comprises shares at cost. Significant associates (including associates of subsidiaries) are as below.

NAME OF ENTITY	PRINCIPAL ACTIVITIES	INTEREST HELD BY THE GROUP	
		2005	2004
Canbet Limited	Online wagering	–	33%
Village Cinemas SA (Argentina)	Movie exhibition	25%	25%
Vista Entertainment Solutions Limited	Ticket software systems	25%	25%

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

Village Roadshow Limited holds an option in respect of 40% of SKYCITY's shareholding in Village Cinemas SA (10% of total shares). Refer note 27.

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

The investment in Canbet Limited was disposed of during the year. In exchange for SKYCITY Entertainment Group Limited's share in Canbet Limited the group received a 6.8% interest in International All Sports Limited, a publicly-listed Australian entity.

RESULTS OF ASSOCIATES

	CONSOLIDATED	
	2005 \$000	2004 \$000
Share of surplus (less deficits) before income tax	39	175
Income tax	(13)	(58)
Total recognised revenues and expenses	26	117

INTERESTS IN ASSOCIATES

	CONSOLIDATED		PARENT COMPANY	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Carrying value				
Balance at the beginning of the year	255	21,586	–	–
Share of total recognised revenues and expenses	26	117	–	–
Associate disposed of during the year	–	(100)	–	–
Write-off of associate during the year	–	(20,904)	–	–
Foreign currency translation impact	–	(444)	–	–
Total investments in associates	281	255	–	–

21. JOINT VENTURES

HARD ROCK JOINT VENTURE

The Group's interest in the Hard Rock joint venture was dissolved during the year. There was no significant impact on the Group.

SKYCITY LEISURE JOINT VENTURES

NAME OF ENTITY	PRINCIPAL ACTIVITIES	INTEREST HELD BY THE GROUP	
		2005	2004
Village SKYCITY Cinemas JV	Cinema owner/operator	50%	50%
Village SKYCITY Hoyts Queen St Cinema JV	Cinema owner/operator	33%	33%
Village Rialto Cinemas JV	Cinema owner/operator	25%	25%
Damodar Village SKYCITY Fiji Cinemas JV	Cinema owner/operator	33%	33%

	CONSOLIDATED		PARENT COMPANY	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
FINANCIAL PERFORMANCE				
The Group's share of operating revenues and expenses of joint ventures, proportionately consolidated, was:				
Revenue	29,615	34,529	–	–
Expenses	(25,444)	(28,367)	–	–
Net contribution to Group operating surplus	4,171	6,162	–	–
FINANCIAL POSITION				
The Group's share of assets and liabilities of joint ventures, proportionately consolidated, was:				
Current assets				
Cash and bank balances	2,568	2,769	–	–
Receivables and prepayments	801	552	–	–
Other	103	205	–	–
	3,472	3,526	–	–
Non-current assets				
Property, plant and equipment	12,117	14,752	–	–
Other	254	288	–	–
	12,371	15,040	–	–
Share of total assets included in the Group	15,843	18,566	–	–
Liabilities				
Payables and accruals	2,289	2,306	–	–
Other	697	1,264	–	–
Borrowings	810	922	–	–
Share of total liabilities included in the Group	3,796	4,492	–	–
Net assets employed in the joint ventures	12,047	14,074	–	–

All the above joint ventures have been audited.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2005

22. OTHER INVESTMENTS

	CONSOLIDATED		PARENT COMPANY	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Christchurch Casinos Limited	77,983	78,025	–	–
International All Sports Limited	1,556	–	–	–
	79,539	78,025	–	–

The purchase of a 40.5% interest in Christchurch Casinos Limited was completed on 28 June 2004 and has been accounted for as an investment. Christchurch Casinos Limited has a 31 March financial year end.

23. FUTURE INCOME TAX BENEFIT

	CONSOLIDATED		PARENT COMPANY	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Non-current				
Balance at the beginning of the year	14,645	3,151	–	–
Prior year timing differences	392	933	–	–
Current year movements	(87)	(1,289)	–	–
Previously unrecognised losses and timing differences	–	9,305	–	–
Foreign exchange adjustment	(17)	(262)	–	–
Impact of purchase, disposal and amalgamations of subsidiaries	1,451	2,807	–	–
	16,384	14,645	–	–

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

24. INTANGIBLE ASSETS

	CONSOLIDATED		PARENT COMPANY	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Casino licences				
Casino licences at the beginning of the year	195,519	203,029	–	–
Accumulated amortisation at the beginning of the year	(9,514)	(7,149)	–	–
Unamortised balance at the beginning of the year	186,005	195,880	–	–
Foreign currency translation	(1,245)	(7,510)	–	–
Purchase of Darwin licence	38,580	–	–	–
Current year amortisation	(5,467)	(2,365)	–	–
Unamortised balance at the end of the year	217,873	186,005	–	–
Rights and concessions				
Rights and concessions at the beginning of the year	2,250	2,250	–	–
Accumulated amortisation at the beginning of the year	(437)	(337)	–	–
Unamortised balance at the beginning of the year	1,813	1,913	–	–
Transfer following 100% purchase of SKYCITY Hamilton Limited	(1,713)	–	–	–
Current year amortisation	(100)	(100)	–	–
Unamortised balance at the end of the year	–	1,813	–	–
Goodwill on consolidation				
Goodwill on consolidation at the beginning of the year	29,408	14,071	–	–
Accumulated amortisation at the beginning of the year	(4,853)	(4,308)	–	–
Unamortised balance at the beginning of the year	24,555	9,763	–	–
Goodwill arising on the acquisition of subsidiaries	116,348	15,337	–	–
Current year amortisation	(1,374)	(545)	–	–
Unamortised balance at the end of the year	139,529	24,555	–	–
Total intangible assets	357,402	212,373	–	–

CASINO LICENCES

SKYCITY Entertainment Group Limited acquired the Darwin casino licence on 22 July 2004 as a result of the acquisition of 100% of the shares in SKYCITY Darwin Holdings Pty Limited, through its wholly-owned subsidiary SKYCITY Australia Pty Limited on that date. The cost of the casino licence and other assets and liabilities of SKYCITY Darwin Holdings Pty Limited has been determined by the directors applying fair value assessments to all assets (including the casino licence) and liabilities acquired as part of the acquisition of SKYCITY Darwin Holdings Pty Limited. The casino licence is being amortised over 11 years, at approximately \$3.5 million per annum, being the remaining period of the licence.

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2005

24. INTANGIBLE ASSETS (CONTINUED)

RIGHTS AND CONCESSIONS

Rights and concessions relate to a management contract associated with the Hamilton casino. These rights and concessions have been included within the acquisition adjustments following SKYCITY Entertainment Group Limited's purchase of the remaining shares in SKYCITY Hamilton Limited.

GOODWILL

The goodwill arising on the acquisition of subsidiaries relates to the acquisition of the outstanding minority interest in SKYCITY Leisure Limited, the increased interest in SKYCITY Hamilton Limited and the acquisition of SKYCITY Darwin Holdings Pty Limited.

The goodwill balance associated with Darwin has not been amortised in the current year. Under current accounting standards goodwill amortisation of \$4,152,000 would have been recorded in the Statement of Financial Performance. However, as SKYCITY Entertainment Group Limited has decided to adopt International Financial Reporting Standards (under which goodwill is not amortised) from 1 July 2005 (refer note 31), the directors have not recorded any goodwill amortisation in the current year on the grounds that, on adoption of IFRS, any goodwill amortisation that had been recorded in the 2004/05 financial year would be reversed.

The directors are of the opinion that there has been no deterioration in the value of Darwin goodwill.

In future years, goodwill will be tested for impairment.

25. RECEIVABLES AND PREPAYMENTS

	CONSOLIDATED		PARENT COMPANY	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Current				
Trade receivables	5,801	3,903	–	–
Sundry receivables	9,613	5,438	2,662	3,202
MGM Darwin deposit and capitalised costs	–	25,377	–	25,377
Amounts due from subsidiaries	–	–	–	113,342
Christchurch Hotels Limited	16,584	16,584	–	–
Other receivables	1,276	–	–	–
Interest receivable	1,275	–	106	–
Prepayments	2,609	1,804	156	66
	37,158	53,106	2,924	141,987

As part of the acquisition of Christchurch Casinos Limited, SKYCITY Entertainment Group Limited acquired an interest-bearing advance to Christchurch Hotels Limited.

26. FINANCIAL INSTRUMENTS

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

To manage and limit the effects of those financial risks, the board 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 below.

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 2005 (2004: nil).

The currency risk and interest rate risk in foreign currencies relate 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 as set out in the Group treasury policy. As at 30 June 2005 there were A\$75,000,000 (2004: A\$75,000,000) and US\$274,500,000 (2004: \$nil) of cross-currency interest rate swaps and A\$74,900,000 (2004: A\$187,500,000) of forward foreign exchange contracts and A\$80,000,000 (2004: A\$65,000,000) of Australian dollar interest rate swaps.

INTEREST RATE RISK

To ensure that the Group's cost of funds is reasonably predictable from year to year, it is the Group's policy that floating rate debt 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 swaps. At 30 June 2005 the maximum term of an interest rate swap is until March 2017 (2004: June 2013) and the maximum term of a cross-currency interest rate swap is until March 2017 (2004: June 2012).

UNRECOGNISED BALANCES

The notional or principal contract amounts of interest rate swaps outstanding at balance date were as below.

	CONSOLIDATED		PARENT COMPANY	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000
Interest rate swaps (fixed to floating)	–	120,000	–	–
Interest rate swaps (floating to fixed)	887,451	708,929	–	–
Cross-currency interest rate swaps	468,176	86,167	–	–
	1,355,627	915,096	–	–

RE-PRICING ANALYSIS

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

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

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2005

26. FINANCIAL INSTRUMENTS (CONTINUED)

GROUP 2005	EFFECTIVE INTEREST RATES	CURRENT \$000	1-2 YEARS \$000	2-5 YEARS \$000	> 5 YEARS \$000	TOTAL \$000
Assets						
Bank	6.75%	35,458	–	–	–	35,458
Total assets		35,458	–	–	–	35,458
Liabilities						
Borrowings*	7.76%	(396,810)	–	–	(565,670)	(962,480)
Capital notes	8.00%	–	–	(121,687)	–	(121,687)
ANZ subordinated loan	8.24%	(100,000)	–	–	–	(100,000)
Total liabilities		(496,810)	–	(121,687)	(565,670)	(1,184,167)
Unrecognised						
Interest rate swaps/cross-currency interest rate swaps*		370,832	(136,397)	(219,657)	(14,778)	–
Re-pricing gap		(90,520)	(136,397)	(341,344)	(580,448)	(1,148,709)

* The average interest rate of debt at 30 June 2005 includes hedging instruments.

GROUP 2004	EFFECTIVE INTEREST RATES	CURRENT \$000	1-2 YEARS \$000	2-5 YEARS \$000	> 5 YEARS \$000	TOTAL \$000
Assets						
Bank	5.75%	24,728	–	–	–	24,728
Total assets		24,728	–	–	–	24,728
Liabilities						
Borrowings*	6.91%	(684,827)	–	–	–	(684,827)
Capital notes	9.25%	(150,000)	–	–	–	(150,000)
Convertible notes	13.38%	–	–	–	(8,910)	(8,910)
Total liabilities		(834,827)	–	–	(8,910)	(843,737)
Unrecognised						
Interest rate swaps*		620,429	(70,000)	(207,451)	(342,978)	–
Re-pricing gap		(189,670)	(70,000)	(207,451)	(351,888)	(819,009)

* The average interest rate of debt at 30 June 2004 includes hedging instruments.

26. FINANCIAL INSTRUMENTS (CONTINUED)

PARENT 2005	EFFECTIVE INTEREST RATES	CURRENT \$000	1-2 YEARS \$000	2-5 YEARS \$000	> 5 YEARS \$000	TOTAL \$000
Assets						
Bank		3	–	–	–	3
Total assets		3	–	–	–	3
Liabilities						
Capital notes	8.00%	–	–	(121,687)	–	(121,687)
Total liabilities		–	–	(121,687)	–	(121,687)
Re-pricing gap		3	–	(121,687)	–	(121,684)

PARENT 2004	EFFECTIVE INTEREST RATES	CURRENT \$000	1-2 YEARS \$000	2-5 YEARS \$000	> 5 YEARS \$000	TOTAL \$000
Assets						
Bank		2	–	–	–	2
Liabilities						
Capital notes	9.25%	(150,000)	–	–	–	(150,000)
Re-pricing gap		(149,998)	–	–	–	(149,998)

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 2005 is the fair value of the financial asset. The parent company and Group's cash equivalents and short-term deposits are placed with high credit quality financial institutions. Trade receivables are presented net of the allowance for estimated doubtful receivables. Credit risk with respect to trade receivables is limited due to the relatively low value of receivables at any given time as the nature of the business is cash-oriented. Accordingly, the directors believe the Group has no significant concentration of credit risk.

FAIR VALUES

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

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

The carrying values of these items are equivalent to their fair value.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2005

26. FINANCIAL INSTRUMENTS (CONTINUED)

Borrowings and subordinated debt

All borrowings and subordinated debt except capital notes and US private placement US dollar borrowings are at floating interest rates so the fair value is equal to the carrying value.

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. The fair value of the converted debt (inclusive of the fair value of the cross-currency interest rate swaps) is equal to the carrying value. The fair value of the cross-currency interest rate swaps hedging the US private placement fixed rate US dollar borrowings is positive \$9,625,313 at 30 June 2005 (2004: \$nil).

The carrying value of capital notes is equivalent to their fair value.

Interest rates swaps and cross-currency interest rate swaps

The fair value of interest rate swaps is negative \$8,764,032 (2004: positive \$3,889,481), cross-currency interest rate swaps is positive \$9,087,056 (2004: positive \$3,637,840) and forward foreign exchange contracts is positive \$1,614,355 (2004: negative \$8,622,245).

The Group was party to a financial instrument in respect of a guarantee not recognised above and this is disclosed in note 27.

27. CONTINGENT GAINS AND LOSSES

SKYCITY Leisure Limited is one of the guarantors for a loan facility utilised by Village Cinemas SA Argentina, an associate company. The maximum liability and exposure at 30 June 2005 under this guarantee is US\$4,000,000 (2004: US\$4,000,000).

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

28. RELATED PARTY INFORMATION

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

All members of the group as listed in notes 19, 20 and 21 are considered to be related parties of the parent company SKYCITY Entertainment Group Limited.

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

INTEREST OF DIRECTORS IN CERTAIN TRANSACTIONS

Each company within the Group maintains an interests register in which members of its board record all parties and transactions in which they may have a potential or actual self-interest. Fees in the amount of \$2,120,701 for the year ended 30 June 2005 (2004: \$146,967) were paid to First NZ Capital Group Limited (FNZC) on normal commercial terms for advisory, consulting and other work. Mr W R Trotter, who is a director of SKYCITY Entertainment Group Limited, is executive chairman of FNZC. Mr Trotter declared an interest with respect to FNZC on each occasion when the board considered the engagement of advisory and consulting services with FNZC.

The Group has borrowed \$100 million from the ANZ National Bank Limited as disclosed in note 15. Sir Dryden Spring and Rob McLeod are directors of both SKYCITY Entertainment Group Limited and ANZ National Bank Limited. The facility was established on an arms-length, commercial basis. Neither Sir Dryden nor Rob McLeod participated in the decision to enter into the facility.

29. EVENTS OCCURRING AFTER BALANCE DATE

PROVISION FOR DIVIDEND

As disclosed in note 7, the directors have resolved to provide for a final dividend to be paid in respect of the year ended 30 June 2005. The fully imputed dividend of 12.0 cents per share will be paid on 7 October 2005 to all shareholders on the company's register at the close of business on Friday, 23 September 2005.

30. EARNINGS PER SHARE

	CONSOLIDATED	
	2005	2004
Number of ordinary shares on issue. Weighted average (000's)	417,436	417,828
Group surplus from operations per share (cents)	24.9	24.0

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

31. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

In December 2002 the Accounting Standards Review Board announced that New Zealand reporting entities are required to comply with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) for reporting periods commencing on or after 1 January 2007 with optional adoption for reporting periods commencing on or after 1 January 2005.

SKYCITY Entertainment Group Limited has adopted NZ IFRS with effect from 1 July 2005. To comply with NZ IFRS on initial adoption, SKYCITY Entertainment Group Limited will need to restate its Statement of Financial Position as at 30 June 2004 and as at 30 June 2005 and restate its Statement of Financial Performance, Statement of Movements in Equity and the Statement of Cash Flows for the year ended 30 June 2005. Adjustments required to restate the Statement of Financial Position as at 30 June 2004 are made by adjusting equity. The first set of financial statements that SKYCITY Entertainment Group Limited will publish under NZ IFRS will be the interim financial statements for the six months ended 31 December 2005. These current financial statements for the year ended 30 June 2005 will be the last set published under current New Zealand accounting standards.

To date, SKYCITY Entertainment Group Limited has identified the following key differences between current accounting treatments and NZ IFRS.

Foreign currency translation reserve

As a one-off adjustment on adoption of NZ IFRS, the 30 June 2004 balance in the foreign currency translation reserve of \$14.2 million (debit) will be set to zero.

Off balance sheet financial instruments

Derivative financial instruments with a fair value totalling \$7.5 million will be recognised as assets and derivative financial instruments with a fair value totalling \$8.6 million will be recognised as liabilities as at 30 June 2004 in the Statement of Financial Position. Each reporting period thereafter, derivative financial instruments will be adjusted to their then fair value. It is SKYCITY Entertainment Group Limited's expectation that the Group will obtain the benefit of hedge accounting with effect from 1 July 2004.

Notes to the Financial Statements (continued)

FOR THE YEAR ENDED 30 JUNE 2005

31. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) (CONTINUED)

Performance Pay Incentive Plan

The expense associated with the Performance Pay Incentive Plan will be recognised over the relevant vesting period of up to three years. At present the expense is recognised within one financial year.

Executive Share Option Plan

An expense, based on the fair value at issue date, will be recognised for any options issued subsequent to 9 November 2002. At present no expense is recognised on these options although the fair value amount is disclosed in the notes to the financial statements.

Carrying value of land and other fixed assets

On first time adoption of NZ IFRS, entities are permitted to adjust the carrying value of selected fixed assets to their current fair value without creating a need for ongoing revaluations. SKYCITY Entertainment Group Limited is currently reviewing its assets to determine which, if any, should be revalued in the opening IFRS-compliant balance sheet, as a one-off adjustment.

Amortisation of goodwill

Under NZ IFRS, goodwill is no longer amortised but is subject to an annual impairment test. SKYCITY Entertainment Group Limited does not expect its goodwill balances to be impaired on adoption of NZ IFRS.

Christchurch investment

The investment in Christchurch Casinos Limited will need to be revalued to fair value each reporting period with changes in fair value recorded in equity unless they relate to impairment. No change in carrying value is expected as at 30 June 2004.

Deferred tax

Deferred tax will be recognised on the above adjustments and on interest capitalised within fixed assets.

Segment reporting

IFRS requires the Group to identify its primary and secondary segments and make certain disclosures. SKYCITY Entertainment Group Limited has identified the following segments:

Primary – Geographical

- Auckland complex
- Rest of New Zealand
- Adelaide, Australia
- Darwin, Australia

Secondary – Business

- Gaming – tables
- Gaming – machines
- Other

Note: the actual impact of adopting NZ IFRS may vary from the information presented above. While not expected to be so, any variation may be material.