SKYCITY Entertainment Group Limited

Annual Report

For the Year Ended 30 June 2007

PRICEWATERHOUSECOOPERS

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Auditors' Report
To the shareholders of SKYCITY Entertainment Group Limited

We have audited the financial statements on pages 1 to 51. 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 5 to 15.

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.

Auditors' 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 1 to 51:
    (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
PricewaterhouseCoopers
Auckland

SKYCITY Entertainment Group Limited
Income statements
For the year ended 30 June 2007

	Notes	Consolidated 2007 $'000	Consolidated 2006 $'000	Parent 2007 $'000	Parent 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
Earnings per share for profit attributable to the shareholders of the company					
Basic earnings per share (cents)	8	**22.3**	28.5	**14.4**	17.1
Diluted earnings per share (cents)	8	**22.1**	26.9	**12.6**	16.1

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

SKYCITY Entertainment Group Limited
Balance sheets
As at 30 June 2007

		Consolidated		Parent	
		2007	2006	**2007**	2006
	Notes	**$'000**	$'000	**$'000**	$'000
ASSETS					
Current assets					
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
Non-current assets					
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					
Current liabilities					
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
Non-current liabilities					
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.

SKYCITY Entertainment Group Limited
Statements of changes in equity
For the year ended 30 June 2007

	Notes	Consolidated **2007** **$'000**	Consolidated 2006 $'000	Parent **2007** **$'000**	Parent 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
Buy back of shares under profit distribution plan		**(21,246)**	-	**(21,246)**	-
Buy back 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 financial 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.

SKYCITY Entertainment Group Limited
Cash flow statements
For the year ended 30 June 2007

		Consolidated		Parent	
		2007	2006	**2007**	2006
	Notes	**$'000**	$'000	**$'000**	$'000
Cash flows from operating activities					
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)
Cash flows from investing activities					
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
Cash flows from financing activities					
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	**-**	-
Buy back 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.

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.

2 Summary of Significant Accounting Policies (continued)

Critical Accounting Estimates

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

(b) Principles of Consolidation

(i) Subsidiaries

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

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

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

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

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

(ii) Associates

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

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

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

2 Summary of Significant Accounting Policies (continued)

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 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.

2 Summary of Significant Accounting Policies (continued)

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.

2 Summary of Significant Accounting Policies (continued)

(g) Leases

(i) The Group is the Lessee

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

(ii) The Group is the Lessor

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

(h) Impairment of Assets

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

(i) Cash and Bank Balances

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

(j) Trade Receivables

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

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.

2 Summary of Significant Accounting Policies (continued)

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

(ii) Loans and Receivables

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

(iii) Held-to-Maturity Investments

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

(iv) Available-for-sale Financial Assets

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

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

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

2 Summary of Significant Accounting Policies (continued)

(m) Derivatives

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

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

(i) Fair Value Hedge

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

(ii) Cash Flow Hedge

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

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

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

(iii) Derivatives that Do Not Qualify for Hedge Accounting

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

(n) Property, Plant and Equipment

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

2 Summary of Significant Accounting Policies (continued)

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(h)).

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

(o) Investment Property

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

(p) Intangible Assets

(i) Goodwill

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

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

(ii) Casino Licences

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

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

2 Summary of Significant Accounting Policies (continued)

(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-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.

2 Summary of Significant Accounting Policies (continued)

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.

2 Summary of Significant Accounting Policies (continued)

(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 year.

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.

3 Revenue

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'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	2006	**2007**	2006
	$'000	$'000	**$'000**	$'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

5 Expenses

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Profit before income tax includes the following specific expenses:				
Depreciation				
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
Amortisation				
Casino licences	**2,452**	2,341	**-**	-
Software	**5,622**	3,839	**99**	26
Total amortisation	**8,074**	6,180	**99**	26
Finance costs				
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
Rental expense relating to operating leases				
Lease payments	**14,331**	8,076	**-**	-
Total rental expense relating to operating leases	**14,331**	8,076	**-**	-
Other expenses				
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
Restructuring costs				
Restructuring costs	**4,322**	-	**4,322**	-
	4,322	-	**4,322**	-

Restructuring costs relate to a management reorganisation.

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	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
(a) Assurance Services				
Audit services				
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
Other assurance services provided by PricewaterhouseCoopers				
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 all other cases other external advisers are used.

7 Income Tax Expense

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'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	**-**	-
Deferred income tax/(revenue) expense included in income tax expense comprises:				
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
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:				
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 change in the New Zealand corporate tax rate effective from 1 July 2008.

8 Earnings Per Share

(a) Reconciliations of Earnings Used in Calculating Earnings Per Share

	Consolidated		Parent	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000
Basic earnings per share				
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
Diluted earnings per share				
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	**-**	9,892
Interest on SKYCITY ACES	**10,253**	6,379	**-**	-
Tax on the above	**(6,705)**	(5,369)	**-**	(3,264)
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	**112,014**	131,031	**63,639**	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
Adjustments for calculation of diluted earnings per share:		
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

8 Earnings Per Share (continued)

(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.

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	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Current assets				
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
Non-current assets				
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
Current liabilities				
Forward foreign currency contracts	**-**	25	**7,701**	12,195
Total current derivative financial instrument liabilities	**-**	25	**7,701**	12,195
Non-current liabilities				
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.

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 reprice 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	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
SKYCITY Metro Centre	**-**	52,400	**-**	-

On 11 June 2007 SKYCITY sold the SKYCITY Metro Centre.

12 Property, Plant and Equipment

Consolidated	Land $'000	Buildings $'000	Plant and equipment $'000	Fixtures and fittings $'000	Motor vehicles $'000	Capital work in progress $'000	Total $'000
At 30 June 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

Consolidated	Land $'000	Buildings $'000	Plant and equipment $'000	Fixtures and fittings $'000	Motor vehicles $'000	Capital work in progress $'000	Total $'000
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	307,81	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

12 Property, Plant and Equipment (continued)

Parent	**Plant and 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

Parent	**Plant and equipment $'000**	**Capital work in progress $'000**	**Total $'000**
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.

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 sub soil areas. Furthermore, the land title is subject to Section 27B of the State Owned Enterprises Act 1986 which does not provide for the owner of the land to be heard in relation to any recommendations of the Waitangi Tribunal for the resumption of the land. At balance date the company was not aware of any matters pertaining to the land under the State Owned Enterprises Act 1986. Drainage rights have been granted over parts of the land appurtenant to Lot 2 Plan 5.23789 (CT22C/1428). There is also a right of way granted over part of Lot 1 and part of Lot 2 DP580554.

13 Investment Properties

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

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'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.

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

Consolidated	Goodwill $'000	Casino Licences $'000	Computer software $'000	Total $'000
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

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

Parent	**Computer software $'000**	**Total $'000**
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.

2007	**Rest of New Zealand**	**SKYCITY Darwin**	**Total**
	$'000	$'000	$'000
Goodwill	90,578	104,072	194,650
Casino Licence	-	34,912	34,912
	90,578	138,984	229,562

2006	**Rest of New Zealand**	**SKYCITY Darwin**	**Total**
Goodwill	52,919	115,524	168,443
Casino Licence	-	38,798	38,798
	52,919	154,322	207,241

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

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.

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

17 Payables

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'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	2006	**2007**	2006
	$'000	$'000	**$'000**	$'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 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.

18 Non-current Liabilities - Interest Bearing Liabilities (continued)

Interest Rate Risk

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

2007		Principal - Interest Rate Repricing						
		1 year or less	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Bank	8.00	43,764	-	-	-	-	-	43,764
Borrowings	7.90	(398,960)	-	-	-	(260,525)	(96,154)	(755,639)
Capital notes	8.00	-	-	-	(123,860)	-	-	(123,860)
SKYCITY ACES	6.03	(165,035)	-	-	-	-	-	(165,035)
IRS/CCIRS*	-	298,858	(48,007)	(27,506)	-	(42,979)	(180,366)	-
Repricing gap		(221,373)	(48,007)	(27,506)	(123,860)	(303,504)	(276,520)	(1,000,770)

2006		Principal - Interest Rate Repricing						
		1 year or less	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 4 years	Over 4 to 5 years	Over 5 years	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000
Bank	7.25	42,624	-	-	-	-	-	42,624
Borrowings	7.65	(502,098)	-	-	-	-	(452,369)	(954,467)
Capital notes	8.00	-	-	-	(123,860)	-	-	(123,860)
SKYCITY ACES	5.75	(183,195)	-	-	-	-	-	(183,195)
IRS/CCIRS *	-	191,576	(51,639)	(15,000)	(24,426)	-	(100,511)	-
Repricing gap		(451,093)	(51,639)	(15,000)	(148,286)	-	(552,880)	(1,218,898)

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

For both 2007 and 2006 capital notes are the only interest-bearing debt within the parent entity. The parent entity is not party to any derivatives.

Fair Values

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

19 Subordinated Debt - Capital Notes

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'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.

20 Subordinated Debt - SKYCITY ACES

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'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.

21 Deferred Tax Assets

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
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	**-**	-
Amounts recognised directly in equity				
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	**-**	-

22 Deferred Tax Liabilities

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'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

	2007	2006
	$'000	$'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.

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

	Consolidated		**Parent**	
	2007 $'000	2006 $'000	**2007 $'000**	2006 $'000

(a) Reserves

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)	**-**	-

25 Reserves and Retained Profits (continued)

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'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.

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 2001 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 Exchange on the ten business days following the release to the New Zealand Exchange of the SKYCITY Entertainment Group Limited's annual result for the relevant year of the Plan.

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

PPI Pre 30 June 2007

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).

PPI Post 1 July 2007

All shares under the PPI are issued on the bonus declaration date.

(b) Retained Profits

Movements in retained profits were as follows:

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'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)

26 Minority Interest

	Consolidated	
	2007	2006
	$'000	$'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	2006	**2007**	2006
	$'000	$'000	**$'000**	$'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 buyback 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).

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 and Sky Tower.

Rest of New Zealand

Rest of New Zealand includes the Group's interest in SKYCITY Hamilton, SKYCITY Queenstown, 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.

28 Segment Information (continued)

Business Segments

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

Gaming machines

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

Table games

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

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.

28 Segment Information (continued)

(b) Primary Reporting Format - Geographic Segments

2007	SKYCITY AUCKLAND $'000	REST OF NEW ZEALAND $'000	SKYCITY ADELAIDE $'000	SKYCITY DARWIN $'000	TOTAL $'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 $'000	REST OF NEW ZEALAND $'000	SKYCITY ADELAIDE $'000	SKYCITY DARWIN $'000	TOTAL $'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

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 convert to four shares upon exercise, and the 2002 and 2003 options, with the exception of the 450,000 tranche issued on 9 September 2003, convert to two shares upon exercise.

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

29 Share-based Payments (continued)

Executive Share Rights Plan 2005

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

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

29 Share-based Payments (continued)

The weighted average exercise price at the date of exercise of options exercised regularly 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).

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.

29 Share-based Payments (continued)

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

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	57,982
Total			62,892	-	(5,000)	-	57,892	57,982
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.

29 Share-Based Payments (continued)

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	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Rights issued under executive 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

(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.

30 Related Party Transactions (continued)

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 arms'-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

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

33 Interests in Joint Ventures

Name of entity	Principal activities	Interests held by the group 2007 %	2006 %
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	2006	**2007**	2006
	$'000	$'000	**$'000**	$'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 ventures. 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	2006	**2007**	2006
	$'000	$'000	**$'000**	$'000
Property, plant and equipment	**70,643**	10,888	**-**	-

35 Commitments (continued)

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.

	Consolidated		Parent	
	2007	2006	**2007**	2006
	$'000	$'000	**$'000**	$'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	2006	**2007**	2006
	$'000	$'000	**$'000**	$'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)

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 will be 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 buyback 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.