

**SKYCITY Entertainment Group Limited**  
**Interim Financial Report**  
**for the half year ended 31 December 2008**

## Accountants' Report

To the shareholders of SKYCITY Entertainment Group Limited

We have reviewed the interim financial statements ("financial statements") on pages 1 to 14. The financial statements provide information about the past financial performance and cash flows of the Group, comprising SKYCITY Entertainment Group Limited and its subsidiaries for the half year ended 31 December 2008 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on page 6.

### Directors' responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements that present fairly the financial position of the Group as at 31 December 2008 and its financial performance and cash flows for the half year ended on that date.

### Accountants' responsibilities

We are responsible for reviewing the financial statements presented by the Directors in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the financial statements do not present fairly the matters to which they relate.

### Basis of opinion

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit on the financial statements and, accordingly, we do not express an audit opinion.

We have reviewed the financial statements of the Group for the half year ended 31 December 2008 in accordance with the Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand.

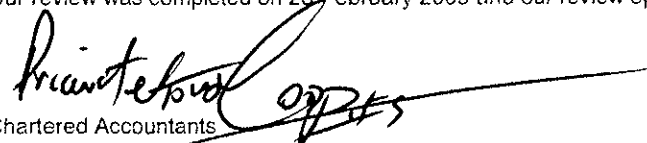
We have no relationship with or interests in SKYCITY Entertainment Group Limited or its subsidiaries other than in our capacities as accountants conducting this review, auditors under the Companies Act 1993, tax and accounting advisors.

### Review opinion

We have reviewed the financial performance and cash flows of the Group for the half year ended 31 December 2008 and its financial position as at that date.

Based on our review nothing has come to our attention that causes us to believe that the financial statements do not present fairly the financial position of the Group as at 31 December 2008 and its financial performance and cash flows for the half year ended on that date in accordance with both International Accounting Standard 34 and New Zealand International Accounting Standard 34, Interim Financial Reporting.

Our review was completed on 23 February 2009 and our review opinion is expressed as at that date.

  
Chartered Accountants

Auckland

**Consolidated Income Statement**

For the six months ended 31 December 2008

		<b>Unaudited 6 months 31 December 2008 \$'000</b>	Unaudited 6 months 31 December 2007 \$'000	Audited 12 months 30 June 2008 \$'000
<b>Revenue</b>	3	<b>417,617</b>	418,649	804,014
Other income	4	<b>997</b>	389	1,416
Share of net profits of associates		<b>3,487</b>	2,577	5,456
Employee benefits expense		<b>(127,584)</b>	(119,256)	(238,319)
Other expenses	5	<b>(60,467)</b>	(54,790)	(111,302)
Direct consumables and film hire costs		<b>(34,212)</b>	(31,124)	(60,318)
Gaming taxes and levies		<b>(28,057)</b>	(28,932)	(56,016)
Marketing and communications		<b>(21,598)</b>	(23,570)	(41,102)
Directors' fees		<b>(386)</b>	(260)	(595)
Depreciation and amortisation expense	5	<b>(36,855)</b>	(35,866)	(73,765)
Restructuring costs	5	<b>(1,228)</b>	(4,822)	(7,798)
Impairment of Cinemas		-	(60,000)	(60,000)
Finance costs - net	6	<b>(38,103)</b>	(40,379)	(75,889)
<b>Profit before income tax</b>		<b>73,611</b>	22,616	85,782
Income tax expense		<b>(18,790)</b>	(21,992)	(36,534)
<b>Profit before minority interest</b>		<b>54,821</b>	624	49,248
Attributable to:				
(Profit)/Loss attributable to minority interest		<b>(41)</b>	663	608
<b>Profit attributable to shareholders of the company</b>		<b>54,780</b>	1,287	49,856
<b>Earnings per share for profit attributable to the shareholders of the company</b>				
Basic earnings per share (cents)		<b>11.6</b>	0.3	10.8
Diluted earnings per share (cents)		<b>10.8</b>	0.3	10.8

*The above consolidated income statement should be read in conjunction with the accompanying notes.*

**Consolidated Balance Sheet**

As at 31 December 2008

		<b>Unaudited 31 December 2008 \$'000</b>	Unaudited 31 December 2007 \$'000	Audited 30 June 2008 \$'000
	Notes			
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and bank balances		84,486	78,820	61,914
Receivables and prepayments		35,568	31,828	31,483
Inventories		6,900	5,749	5,899
Tax receivables		14,112	14,611	33,818
Derivative financial instruments		-	458	1,270
Assets classified as held for sale		-	6,925	-
<b>Total current assets</b>		<b>141,066</b>	<b>138,391</b>	<b>134,384</b>
<b>Non-current assets</b>				
Tax receivable		-	-	11,492
Property, plant and equipment		1,005,611	945,399	991,215
Investment properties		-	8,870	8,845
Intangible assets		397,715	385,491	418,532
Available for sale financial assets		-	1,022	1,022
Investments in associates		83,310	81,178	84,008
Deferred tax assets		24,073	17,946	11,708
Derivative financial instruments		13,058	31,641	22,463
<b>Total non-current assets</b>		<b>1,523,767</b>	<b>1,471,547</b>	<b>1,549,285</b>
<b>Total assets</b>		<b>1,664,833</b>	<b>1,609,938</b>	<b>1,683,669</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Payables		120,932	100,468	118,272
Derivative financial instruments		3,689	-	-
<b>Total current liabilities</b>		<b>124,621</b>	<b>100,468</b>	<b>118,272</b>
<b>Non-current liabilities</b>				
Interest bearing liabilities	8	661,580	704,086	677,884
Subordinated debt - capital notes		125,191	123,774	123,772
Subordinated debt - SKYCITY ACES	9	177,356	166,916	186,538
Deferred tax liabilities		58,572	64,673	77,891
Derivative financial instruments		54,816	30,794	23,561
Other non-current liabilities		2,972	3,864	3,396
<b>Total non-current liabilities</b>		<b>1,080,487</b>	<b>1,094,107</b>	<b>1,093,042</b>
<b>Total liabilities</b>		<b>1,205,108</b>	<b>1,194,575</b>	<b>1,211,314</b>
<b>Net assets</b>		<b>459,725</b>	<b>415,363</b>	<b>472,355</b>
<b>EQUITY</b>				
Share capital	7	482,237	428,964	460,779
Reserves	10(a)	(4,887)	6,580	33,993
Retained (losses)	10(b)	(18,954)	(22,009)	(24,300)
<b>Shareholders' equity</b>		<b>458,396</b>	<b>413,535</b>	<b>470,472</b>
Minority interest		1,329	1,828	1,883
<b>Total equity</b>		<b>459,725</b>	<b>415,363</b>	<b>472,355</b>

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

**Consolidated Statement of Changes in Equity**

For the six months ended 31 December 2008

	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Minority interest \$'000	Total equity \$'000
Balance as at 1 July 2007	364,068	(16,069)	31,044	2,491	381,534
Movement in cash flow hedge	-	17,598	-	-	17,598
Exchange differences on translation of foreign operations	-	6,811	-	-	6,811
Available for sale financial assets	-	(85)	-	-	(85)
<b>Net income directly recognised in equity</b>	-	24,324	-	-	24,324
<b>Profit for the half year</b>	-	-	1,287	-	1,287
<b>Total recognised income</b>	-	24,324	1,287	-	25,611
Exercise of share options	23,973	-	-	-	23,973
Shares issued under Profit Distribution Plan	54,340	-	-	-	54,340
Buyback of shares under Profit Distribution Plan	(15,438)	-	-	-	(15,438)
Share options/rights issued for employee services	316	-	-	-	316
Employee share entitlements issued	1,705	-	-	-	1,705
Distribution to owners	-	-	(54,340)	-	(54,340)
Movement in employee share entitlement reserve	-	(1,675)	-	-	(1,675)
Change in minority interest	-	-	-	(663)	(663)
<b>Balance as at 31 December 2007</b>	<b>428,964</b>	<b>6,580</b>	<b>(22,009)</b>	<b>1,828</b>	<b>415,363</b>
Balance as at 1 July 2008	460,779	33,993	(24,300)	1,883	472,355
Movement in cash flow hedge	-	(21,960)	-	-	(21,960)
Exchange differences on translation of foreign operations	-	(15,524)	-	-	(15,524)
<b>Net income directly recognised in equity</b>	-	(37,484)	-	-	(37,484)
<b>Profit for the half year</b>	-	-	54,780	-	54,780
<b>Total recognised income</b>	-	(37,484)	54,780	-	17,296
Shares issued under Profit Distribution Plan	49,434	-	-	-	49,434
Buyback of shares under Profit Distribution Plan	(29,878)	-	-	-	(29,878)
Share options/rights issued for employee services	443	-	-	-	443
Employee share entitlements issued	1,459	-	-	-	1,459
Distribution to owners	-	-	(49,434)	-	(49,434)
Movement in employee share entitlement reserve	-	(1,396)	-	-	(1,396)
Change in minority interest	-	-	-	(554)	(554)
<b>Balance as at 31 December 2008</b>	<b>482,237</b>	<b>(4,887)</b>	<b>(18,954)</b>	<b>1,329</b>	<b>459,725</b>

**Consolidated Statement of Changes in Equity (continued)**

	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Minority interest \$'000	Total equity \$'000
Balance as at 1 July 2007	364,068	(16,069)	31,044	2,491	381,534
Movement in cash flow hedge	-	12,031	-	-	12,031
Exchange differences on translation of foreign operations	-	39,584	-	-	39,584
Available for sale financial assets	-	(85)	-	-	(85)
<b>Net income directly recognised in equity</b>	-	51,530	-	-	51,530
<b>Profit for the year</b>	-	-	49,856	-	49,856
<b>Total recognised income</b>	-	51,530	49,856	-	101,386
Exercise of share options	23,978	-	-	-	23,978
Shares issued under Profit Distribution Plan	105,200	-	-	-	105,200
Buyback of shares under Profit Distribution Plan	(6,838)	-	-	-	(6,838)
Buy back and cancellation of shares under Profit Distribution Plan	(27,842)	-	-	-	(27,842)
Share rights issued for employee services	508	-	-	-	508
Employee share entitlements issued	1,705	-	-	-	1,705
Distributions to owners	-	-	(105,200)	-	(105,200)
Movement in employee share entitlement reserve	-	(1,468)	-	-	(1,468)
Movement in minority interest	-	-	-	(608)	(608)
<b>Balance as at 30 June 2008</b>	460,779	33,993	(24,300)	1,883	472,355

*The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

**Consolidated Cash Flow Statement**

For the six months ended 31 December 2008

	<b>Unaudited 6 months 31 December 2008 \$'000</b>	Unaudited 6 months 31 December 2007 \$'000	Audited 12 months 30 June 2008 \$'000
Notes			
<b>Cash flows from operating activities</b>			
Receipts from customers	413,532	417,742	803,528
Payments to suppliers and employees	<u>(246,694)</u>	<u>(235,331)</u>	<u>(446,761)</u>
	<b>166,838</b>	<b>182,411</b>	<b>356,767</b>
Dividends received	5,213	1,114	2,280
Interest received	2,121	2,885	8,976
Other taxes paid	(27,831)	(22,660)	(48,844)
Income taxes paid	<u>(9,819)</u>	<u>(9,515)</u>	<u>(32,817)</u>
<b>Net cash inflow / (outflow) from operating activities</b>	<b>17</b> <u>136,522</u>	<u>154,235</u>	<u>286,362</u>
<b>Cash flows from investing activities</b>			
Deferred payment for prior year purchase of business	-	(20,000)	(20,000)
Purchase of/proceeds from property, plant and equipment	(42,142)	(41,536)	(89,076)
Payments for intangible assets	(2,477)	(745)	(1,189)
Proceeds from sale of available for sale assets	-	1,920	1,920
Payment to Minority Interest	<u>(600)</u>	<u>-</u>	<u>-</u>
<b>Net cash inflow / (outflow) from investing activities</b>	<u>(45,219)</u>	<u>(60,361)</u>	<u>(108,345)</u>
<b>Cash flows from financing activities</b>			
Exercise of share options	-	23,973	23,978
Cash flows associated with derivatives	<b>17</b> 129,314	-	-
Repayment of borrowings	(129,000)	(51,000)	(92,000)
Distributions paid to company's shareholders	(29,878)	(15,438)	(34,680)
Interest paid	<u>(39,167)</u>	<u>(44,126)</u>	<u>(84,938)</u>
<b>Net cash flows from financing activities</b>	<u>(68,731)</u>	<u>(86,591)</u>	<u>(187,640)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>22,572</b>	7,283	(9,623)
Cash and bank balances at the beginning of the period	<u>61,914</u>	<u>71,537</u>	<u>71,537</u>
<b>Cash and cash equivalents at end of the half year</b>	<u>84,486</u>	<u>78,820</u>	<u>61,914</u>

The above consolidated cash flow statement 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 gaming/entertainment, hotel and convention, hospitality, recreation, tourism, and cinema exhibition sectors. The Group has operations in New Zealand, Australia and Fiji.

SKYCITY 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 is dual listed on the New Zealand and Australian stock exchanges.

SKYCITY is a company registered under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978. These consolidated interim financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993.

These consolidated financial statements have been approved for issue by the board of directors on 23 February 2009.

## **2 Summary of significant accounting policies**

These general purpose financial statements for the interim half year reporting period ended 31 December 2008 have been prepared in accordance with generally accepted accounting practice in New Zealand, International Accounting Standard 34 and NZ IAS 34 Interim Financial Reporting.

The preparation of interim financial statements in accordance with NZ IAS 34 Interim Financial Reporting requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These financial statements have been prepared under the historical cost convention except for the revaluation of certain financial instruments (including derivative instruments). The Group is designated as a profit-oriented entity for financial reporting purposes.

The accounting policies that materially affect the measurement of the Income Statement, Balance Sheet and the Cash Flow Statement have been applied on a basis consistent with those used in the audited financial statements for the year ended 30 June 2008 and the unaudited financial statements for the six months ended 31 December 2007.

These interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008.

### **(a) Changes in accounting policies**

Other than as referred to below, there have been no significant changes in accounting policies during the current period. Accounting policies have been applied on a basis consistent with prior half year and annual financial statements.

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 conform with the annual financial statements and to reclassify interest income within net finance expenses. There is no impact on net profit.

During the year the Group changed the following accounting policies:

#### *(i) NZ IFRIC 13 Customer Loyalty Programmes*

A portion of revenue is allocated to the loyalty points scheme and is recognised when customers redeem their loyalty points. The change in accounting policy has not had a material effect in terms of the measurement of revenue in the financial statements. Disclosures regarding the amount of loyalty revenue have been made in note 3.



### 3 Revenue

	<b>6 months 31 December 2008 \$'000</b>	6 months 31 December 2007 \$'000	12 months 30 June 2008 \$'000
Gaming	<b>298,821</b>	306,391	586,511
Non-gaming	<b>118,796</b>	112,258	217,503
	<b><u>417,617</u></b>	<u>418,649</u>	<u>804,014</u>

Included within gaming revenue is revenue relating to loyalty action points of \$5,343k (31 December 2007: \$4,027k, 30 June 2008: \$7,941k).

Included within non-gaming revenue is revenue relating to loyalty action points of \$68k (31 December 2007: \$68k, 30 June 2008: \$127k).

### 4 Other income

	<b>6 months 31 December 2008 \$'000</b>	6 months 31 December 2007 \$'000	12 months 30 June 2008 \$'000
Net gain on disposal of property, plant and equipment	<b>401</b>	78	399
Interest income - Christchurch Hotels Limited	<b>590</b>	311	1,015
Dividend income	<b>6</b>	-	2
	<b><u>997</u></b>	<u>389</u>	<u>1,416</u>

### 5 Profit before income tax

	<b>6 months 31 December 2008 \$'000</b>	6 months 31 December 2007 \$'000	12 months 30 June 2008 \$'000
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**Profit before income tax includes the following specific expenses:**

#### *Depreciation*

Buildings	<b>8,470</b>	9,635	21,704
Plant and equipment	<b>19,759</b>	19,170	38,076
Furniture and fittings	<b>4,307</b>	2,788	5,310
Motor vehicles	<b>103</b>	136	268
Total depreciation	<b><u>32,639</u></b>	<u>31,729</u>	<u>65,358</u>

#### *Amortisation*

Casino licence (Adelaide)	<b>1,262</b>	1,208	2,449
Software	<b>2,954</b>	2,929	5,958
Total amortisation	<b><u>4,216</u></b>	<u>4,137</u>	<u>8,407</u>

Utilities, insurance and rates	<b>11,432</b>	10,608	21,389
Community Trust donations	<b>1,234</b>	1,464	2,854
Lease payments relating to operating leases	<b>9,013</b>	8,547	17,115
Other property expenses	<b>10,648</b>	8,389	17,711
Other items	<b>28,140</b>	25,782	52,233
	<b><u>60,467</u></b>	<u>54,790</u>	<u>111,302</u>

## 5 Profit before income tax (continued)

Restructuring costs	1,228	1,707	4,558
Transaction costs	-	3,115	3,240
	<u>1,228</u>	<u>4,822</u>	<u>7,798</u>

Restructuring costs relate to redundancy and other payments. Transaction costs relate to various costs associated with a takeover approach made to the Group and the potential sale of the Cinemas business covering the September 2007 to February 2008 period. Transaction costs identified above do not include any internal costs.

## 6 Finance expenses

	<b>6 months 31 December 2008 \$'000</b>	6 months 31 December 2007 \$'000	12 months 30 June 2008 \$'000
<i>Finance costs</i>			
Interest and finance charges paid/payable	39,912	43,676	86,353
Foreign currency gains	(278)	(722)	(2,503)
Interest income	(1,531)	(2,575)	(7,961)
Net finance costs	<u>38,103</u>	<u>40,379</u>	<u>75,889</u>

## 7 Share capital

	<b>31 December 2008 Shares</b>	31 December 2007 Shares	30 June 2008 Shares	<b>31 December 2008 \$'000</b>	31 December 2007 \$'000	30 June 2008 \$'000
Opening balance of ordinary shares issued	471,399,291	450,709,08	450,709,087	460,779	364,068	364,068
Shares issued under Profit Distribution Plan	13,721,796	12,470,788	25,690,301	49,434	54,340	105,200
Exercise of share rights/options	-	1,631,213	1,631,213	-	23,973	23,978
Issue of share rights/options	-	-	-	443	316	508
New shares issued under employee bonus scheme	-	344,019	344,019	-	1,705	1,705
Treasury shares issued under employee bonus scheme	-	-	-	1,459	-	-
Shares repurchased and cancelled	(8,293,603)	(1,975,232)	(6,975,329)	(29,878)	(15,438)	(27,842)
Shares repurchased and not cancelled	-	-	-	-	-	(6,838)
	<u>476,827,484</u>	<u>463,179,875</u>	<u>471,399,291</u>	<u>482,237</u>	<u>428,964</u>	<u>460,779</u>

## 8 Non-current liabilities - Interest bearing liabilities

	<b>31 December 2008 \$'000</b>	31 December 2007 \$'000	30 June 2008 \$'000
<b>Unsecured</b>			
United States Private Placement	664,078	536,369	551,745
Syndicated bank facility	-	170,000	129,000
Deferred funding expenses	(2,498)	(2,283)	(2,861)
Total unsecured non-current interest bearing borrowings	<u>661,580</u>	<u>704,086</u>	<u>677,884</u>

## 8 Non-current liabilities - Interest bearing liabilities (continued)

### (a) Syndicated Bank Facility

At 31 December 2008, SKYCITY had in place a \$500,000,000 (31 December 2007 and 30 June 2008: \$500,000,000) facility on an unsecured, negative pledge basis maturing April 2011. 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 31 December 2008, the amount drawn on this facility was nil (31 December 2007: \$170,000,000, 30 June 2008: \$129,000,000).

The movement in the syndicated bank facility from 30 June 2008 relates to debt repayments of \$129 million using funds obtained from operations and realisation of hedging currency exposures.

### (b) United States Private Placement (USPP)

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

The movement in the USPP from 30 June 2008 relates to foreign exchange and interest rate movements. No repayments of USPP debt were made during the period ended 31 December 2008.

The USPP fixed rate US dollar borrowings have been converted to New Zealand dollar floating rate borrowings by use of cross-currency interest rate swaps to eliminate foreign exchange exposure within the Income Statement.

The USPP floating rate Australian dollar borrowings have been designated as hedging the net investment in the Australian operations. Foreign currency movements on the Australian dollar borrowings are accounted for within the Foreign Currency Translation Reserve.

## 9 Non-current liabilities - SKYCITY ACES

	<b>31 December 2008 \$'000</b>	31 December 2007 \$'000	30 June 2008 \$'000
SKYCITY ACES	<u>177,356</u>	<u>166,916</u>	<u>186,538</u>

The movement in the SKYCITY ACES debt from prior periods relates to foreign exchange movements and is offset by changes in the foreign currency translation reserve and does not impact the Income Statement.

## 10 Reserves and retained losses

	<b>6 months 31 December 2008 \$'000</b>	6 months 31 December 2007 \$'000	12 months 30 June 2008 \$'000
(a) Reserves			
Hedging reserve - cash flow hedges	<b>(8,702)</b>	18,825	13,258
Foreign currency translation reserve	<b>3,153</b>	(14,096)	18,677
Employee share entitlement reserve	<b>662</b>	1,851	2,058
	<u><b>(4,887)</b></u>	<u>6,580</u>	<u>33,993</u>

## 10 Reserves and retained losses (continued)

	6 months 31 December 2008 \$'000	6 months 31 December 2007 \$'000	12 months 30 June 2008 \$'000
<b>Hedging reserve - cash flow hedges</b>			
Balance at the beginning of the period	13,258	1,227	1,227
Revaluation	74,685	20,131	14,591
Transfer to net profit	(106,102)	6,064	3,552
Deferred tax	9,457	(8,597)	(6,112)
Balance at the end of the period	<u>(8,702)</u>	<u>18,825</u>	<u>13,258</u>
<b>Foreign currency translation reserve</b>			
Balance at the beginning of the period	18,677	(20,907)	(20,907)
Exchange difference on translation of overseas subsidiaries	(18,568)	8,518	47,830
Effect of hedging the net investment of overseas subsidiaries	3,044	(1,707)	(8,246)
Balance at the end of the period	<u>3,153</u>	<u>(14,096)</u>	<u>18,677</u>
<b>Employee Share Entitlement Reserve</b>			
Balance at the beginning of the period	2,058	3,526	3,526
Less value of shares issued during the period	(1,460)	(1,705)	(1,705)
Plus value of share entitlements for the period	64	30	237
Balance at the end of the period	<u>662</u>	<u>1,851</u>	<u>2,058</u>

### (i) 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. Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

### (ii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign operations are taken to the foreign currency translation reserve. The reserve is recognised in profit and loss when the net investment is disposed of.

### (iii) 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 2009. 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 2007 through 30 June 2008.

PPI shares, relating to plan years prior to 30 June 2007, 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 shares relating to plan years after 30 June 2007 are issued on the bonus declaration date.

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.

## 10 Reserves and retained losses (continued)

### (b) Retained losses

Movements in retained losses were as follows:

	<b>31 December 2008 \$'000</b>	31 December 2007 \$'000	30 June 2008 \$'000
Balance at the beginning of the period	(24,300)	31,044	31,044
Net profit for the year	54,780	1,287	49,856
Distribution/dividends	(49,434)	(54,340)	(105,200)
Balance at the end of the period	<u>(18,954)</u>	<u>(22,009)</u>	<u>(24,300)</u>

## 11 Distributions/Dividends

	<b>31 December 2008 \$'000</b>	31 December 2007 \$'000	30 June 2008 \$'000
Prior year's final distribution/dividend	49,434	54,340	54,340
Interim distribution/dividend	-	-	50,860
Total dividends provided for or paid	<u>49,434</u>	<u>54,340</u>	<u>105,200</u>

### Cents per Share

	<b>31 December 2008</b>	31 December 2007	30 June 2008
Prior year final distribution/dividend	10.5¢	12¢	12¢
Current year interim distribution/dividend	n/a	n/a	11¢

## 12 Contingencies

There are no significant contingent liabilities or assets.

## 13 Commitments

### (a) Capital commitments

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

	<b>31 December 2008 \$'000</b>	31 December 2007 \$'000	30 June 2008 \$'000
Capital commitments	<u>22,068</u>	<u>64,728</u>	<u>37,057</u>

### (b) Operating lease commitments

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:

Within one year	18,799	17,240	19,936
Later than one year but not later than five years	61,129	57,538	64,437
Later than five years	401,039	318,039	420,053
	<u>480,967</u>	<u>392,817</u>	<u>504,426</u>

## 14 Segment information

### (a) Description of segments

#### Geographical segments

The group is organised into the following main geographical areas:

##### *SKYCITY Auckland*

SKYCITY Auckland includes casino operations, hotels and convention, food and beverage, car parking, Sky Tower, and a number of other related activities.

##### *Rest of New Zealand*

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

##### *SKYCITY Adelaide*

SKYCITY Adelaide includes casino operations and food and beverage.

##### *SKYCITY Darwin*

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

##### *International Business*

International Business includes commission and complimentary play. The international business segment is made up of customers sourced mainly from Asia, and the rest of the world. The revenue is generated at SKYCITY's Auckland, Darwin, Adelaide and Queenstown locations.

#### 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 is mechanically or electronically operated and designed for use in casino gaming.

##### *Table games*

Table games typically involve a dealer who initiates the game and are played with cards, tiles, dice or in some cases via electronic terminals.

##### *Cinemas*

New Zealand and Fiji cinema exhibition operations including, in some cases, associated buildings.

##### *International Business*

International Business includes commission and complimentary play. The international business segment is made up of customers sourced mainly from Asia, and the rest of the world. The revenue is generated at SKYCITY's Auckland, Darwin, Adelaide and Queenstown locations.

##### *Other*

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

## 14 Segment information (continued)

### (b) Primary reporting - geographic segments

<b>Half year ended 31 December 2008</b>	SKYCITY Auckland \$'000	Rest of New Zealand \$'000	SKYCITY Adelaide \$'000	SKYCITY Darwin \$'000	International Business \$'000	Total \$'000
Total revenue and other income	<u>202,894</u>	<u>64,395</u>	<u>77,708</u>	<u>69,483</u>	<u>7,621</u>	<u>422,101</u>
Segment result	<u>84,804</u>	<u>(8,065)</u>	<u>11,942</u>	<u>22,179</u>	<u>854</u>	<u>111,714</u>
<b>Half year ended 31 December 2007</b>						
Total revenue and other income	<u>205,257</u>	<u>59,150</u>	<u>72,088</u>	<u>63,183</u>	<u>21,937</u>	<u>421,615</u>
Segment result	<u>91,210</u>	<u>(72,330)</u>	<u>8,548</u>	<u>22,999</u>	<u>12,568</u>	<u>62,995</u>
<b>Year end ended 30 June 2008</b>						
Total revenue and other income	<u>402,280</u>	<u>118,675</u>	<u>138,076</u>	<u>117,804</u>	<u>34,051</u>	<u>810,886</u>
Segment result	<u>174,376</u>	<u>(80,307)</u>	<u>12,235</u>	<u>38,161</u>	<u>17,206</u>	<u>161,671</u>

## 15 Events occurring after the balance date

### (a) Profit Distribution Plan

On 23 February 2009, the directors resolved to make a pro-rata issue of bonus shares in respect of an interim distribution of profits of 9 cents per share for the six month period ended 31 December 2008. The bonus shares will be issued to all shareholders on the company's register at the close of business on 4 March 2009. The number of bonus shares to be issued is calculated as 9 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 5 to 11 March less a 2.5% discount. Shareholders will be able to elect to have the company buy back some or all of the bonus shares on the day of issue at the strike price. The proceeds received by the shareholder as a result of having elected to sell some or all of the bonus shares will be treated as dividends and will be fully imputed by the company.

The bonus shares will be issued and buyback proceeds paid to shareholders on 27 March 2009.

## 16 Significant Associates and Joint Ventures

The Group holds a direct interest of 30.7% and a further indirect interest of 15.0% (2007: 30.7% and 9.8%) interest in Christchurch Casinos Limited, and a 50% (2007: 50%) interest in Vista Entertainment Solutions Limited. The Group holds a 50% interest in the Rialto Cinemas joint venture (2007: 50%). No associate or joint venture is material to the Group.

**17 Reconciliation of profit after income tax to net cash inflow from operating activities**

	<b>6 months 31 December 2008 \$'000</b>	6 months 31 December 2007 \$'000	12 months 30 June 2008 \$'000
Profit for the year	<b>54,780</b>	1,287	49,856
Minority interest	<b>41</b>	(663)	(608)
Depreciation and amortisation	<b>36,855</b>	35,866	73,765
Interest expense	<b>39,634</b>	44,952	83,850
Current period employee share entitlement	<b>63</b>	1,705	237
Current period share options expense	<b>443</b>	316	508
Share of profits of associates not received as dividends or distributions	<b>1,720</b>	(1,463)	(3,177)
Gain on sale of property, plant and equipment	<b>(401)</b>	-	(247)
Sale of available for sale financial asset	<b>-</b>	(152)	(152)
Change in operating assets and liabilities			
(Increase)/decrease receivables and prepayments	<b>(4,085)</b>	(833)	(487)
(Increase)/decrease in inventories	<b>(1,001)</b>	(226)	(376)
(Increase)/decrease in deferred tax asset	<b>(12,365)</b>	(1,967)	4,270
Increase/(decrease) in payables and accruals	<b>2,660</b>	(19,030)	2,167
Increase/(decrease) in deferred tax liability	<b>(19,319)</b>	11,681	24,899
Decrease/(increase) in provision for tax receivable	<b>31,198</b>	11,359	(19,339)
Increase/(decrease) in other non-current liabilities	<b>(424)</b>	-	-
Impairment of Cinemas	<b>-</b>	60,000	60,000
Capital items included in working capital movements	<b>6,723</b>	11,404	11,196
Net cash inflow from operating activities	<b>136,522</b>	154,236	286,362

Included within financing activities is \$129,314,000 relating to cash collateral deposits on certain derivatives.