

SKYCITY Entertainment Group Limited
Interim Financial Report
for the half year ended 31 December 2007

Accountants' Report

To the shareholders of SKYCITY Entertainment Group Limited

We have reviewed the interim financial statements ("financial statements") on pages 2 to 13. 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 2007 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 2007 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 2007 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 2007 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 2007 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 25 February 2008 and our review opinion is expressed as at that date.



Chartered Accountants

Auckland

Consolidated Income Statement

For the half year ended 31 December 2007

		6 months 31 December 2007 \$'000	6 months 31 December 2006 \$'000	12 months 30 June 2007 \$'000
	Notes			
Revenue	3	418,649	411,885	798,575
Other income	4	2,963	5,829	13,068
Share of net profits of associates		2,577	2,259	4,454
Employee benefits expense		(119,256)	(119,776)	(230,701)
Depreciation and amortisation expense	5	(35,866)	(36,942)	(72,227)
Other expenses	5	(58,001)	(67,697)	(121,219)
Directors' fees		(260)	(360)	(718)
Gaming taxes		(25,720)	(26,314)	(50,326)
Cost of sales		(31,124)	(27,635)	(55,709)
Marketing and communications		(23,570)	(30,163)	(55,959)
Impairment of Cinemas	6	(60,000)	-	-
Structuring costs	5	(4,822)	-	(4,322)
Finance costs	5	(42,954)	(46,963)	(93,361)
Profit before income tax		22,616	64,123	131,555
Income tax expense		(21,992)	(19,030)	(33,125)
Profit before minority interest		624	45,093	98,430
Loss/(profit) attributable to minority interest		663	(48)	(28)
Profit attributable to shareholders of the company		1,287	45,045	98,402
Earnings per share for profit attributable to the shareholders of the company				
Basic earnings per share (cents)		0.3	10.3	22.3
Diluted earnings per share (cents)		0.3	10.2	22.1

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

Consolidated Balance Sheet

As at 31 December 2007

	Notes	31 December 2007 \$'000	31 December 2006 \$'000	30 June 2007 \$'000
ASSETS				
Current assets				
Cash and bank balances		78,820	71,521	71,537
Receivables and prepayments		31,828	40,412	30,996
Inventories		5,749	5,917	5,523
Derivative financial instruments		458	463	334
Current tax receivables		14,611	-	25,971
Assets classified as held for sale		6,925	52,424	-
Total current assets		138,391	170,737	134,361
Non-current assets				
Property, plant and equipment		945,399	948,073	940,106
Investment properties		8,870	8,730	8,845
Intangible assets		385,491	432,078	433,469
Available for sale financial assets		1,022	2,592	2,514
Investments in associates		81,178	82,785	80,831
Tax receivables		-	30,475	-
Deferred tax assets		17,946	17,658	15,978
Derivative financial instruments		31,641	7,052	26,865
Total non-current assets		1,471,547	1,529,443	1,508,608
Total assets		1,609,938	1,700,180	1,642,969
LIABILITIES				
Current liabilities				
Payables		100,468	140,669	119,501
Total current liabilities		100,468	140,669	119,501
Non-current liabilities				
Interest-bearing liabilities		704,086	867,536	753,002
Subordinated debt - capital notes		123,774	123,738	123,756
Subordinated debt - SKYCITY ACES		166,916	163,818	161,410
Deferred tax liabilities		64,673	56,720	52,992
Other non-current liabilities		3,864	-	-
Derivative financial instruments		30,794	12,334	50,774
Total non-current liabilities		1,094,107	1,224,146	1,141,934
Total liabilities		1,194,575	1,364,815	1,261,435
Net assets		415,363	335,365	381,534
EQUITY				
Share capital	7	428,964	345,112	364,068
Reserves	8(a)	6,580	(21,983)	(16,069)
Retained profits	8(b)	(22,009)	9,725	31,044
Shareholders' equity		413,535	332,854	379,043
Minority interest		1,828	2,511	2,491
Total equity		415,363	335,365	381,534

Consolidated Statement of Changes in Equity

Half Year ended 31 December 2007

	6 months 31 December 2007 \$'000	6 months 31 December 2006 \$'000	12 months 30 June 2007 \$'000
Notes			
Total equity at the beginning of the period	381,534	308,783	308,783
Available for sale financial assets	(85)	127	154
Movement in cash flow hedge reserve	17,598	17,095	27,400
Exchange differences on translation of foreign operations	6,812	(29,757)	(34,030)
Net income recognised directly in equity	24,325	(12,535)	(6,476)
Profit for the period	1,287	45,045	98,402
Total recognised income and expense for the year	25,612	32,510	91,926
Exercise of share options	23,973	5,956	5,956
Buy back of shares	(15,438)	(5,403)	(26,649)
Share options/rights issued for employee services	316	406	786
Employee share entitlements issued	1,705	2,126	2,126
Shares issued under profit distribution plan	54,340	60,292	100,114
Distributions to owners	(54,340)	(68,076)	(100,114)
Movement in employee share entitlement reserve	(1,675)	(1,277)	(1,422)
Movement in minority interest	(663)	48	28
	8,217	(5,928)	(19,175)
Total equity at the end of the half-year	415,363	335,365	381,534

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

Consolidated Cash Flow Statement

Half year ended 31 December 2007

	6 months 31 December 2007 \$'000	6 months 31 December 2006 \$'000	12 months 30 June 2007 \$'000
Notes			
Cash flows from operating activities			
Receipts from customers	417,742	405,565	798,393
Payments to suppliers and employees	<u>(235,331)</u>	<u>(250,710)</u>	<u>(467,925)</u>
	182,411	154,855	330,468
Dividends received	1,114	254	4,429
Interest received	2,885	1,328	6,336
Other taxes paid	(22,660)	(23,722)	(53,000)
Income taxes paid	<u>(9,515)</u>	<u>(3,994)</u>	<u>(20,750)</u>
Net cash flows from operating activities	14 <u>154,235</u>	<u>128,721</u>	<u>267,483</u>
Cash flows from investing activities			
Purchase of business, net of cash acquired	(20,000)	(18,060)	(34,285)
Purchase of property, plant and equipment	(41,536)	(43,418)	(69,306)
Payments for investment property	-	(137)	(252)
Payments for intangible assets	(745)	(3,653)	(14,790)
Proceeds from sale of available-for-sale assets	<u>1,920</u>	<u>-</u>	<u>52,400</u>
Net cash flows from investing activities	<u>(60,361)</u>	<u>(65,268)</u>	<u>(66,233)</u>
Cash flows from financing activities			
Exercise of share options	23,973	5,956	5,956
Buy back of shares	-	-	(5,403)
Repayment of borrowings	(51,000)	(12,000)	(93,052)
Dividends paid to company shareholders	(15,438)	(13,186)	(21,246)
Interest paid	<u>(44,127)</u>	<u>(46,837)</u>	<u>(90,065)</u>
Net cash flows from financing activities	9 <u>(86,592)</u>	<u>(66,067)</u>	<u>(203,810)</u>
Net increase/(decrease) in cash and cash equivalents	7,282	(2,614)	(2,560)
Cash and bank balances at the beginning of the period	<u>71,538</u>	<u>74,098</u>	<u>74,098</u>
Cash and cash equivalents at end of the half-year	<u>78,820</u>	<u>71,484</u>	<u>71,538</u>

1. General Information

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

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

These consolidated financial statements have been approved for issue by the board of directors on 25 February 2008.

2. Summary of Significant Accounting Policies

These general purpose financial statements for the interim half year reporting period ended 31 December 2007 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 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 2007 and the unaudited financial statements for the six months ended 31 December 2006.

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 2007.

(a) Changes in Accounting Policies

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 and to disclosure International Business as a separate segment. There is no impact on net profit.

3. Revenue

	6 months 31 December 2007 \$'000	6 months 31 December 2006 \$'000	12 months 30 June 2007 \$'000
Non-gaming	112,258	111,967	222,552
Gaming	306,391	299,918	576,023
	418,649	411,885	798,575

4. Other Income

	6 months 31 December 2007 \$'000	6 months 31 December 2006 \$'000	12 months 30 June 2007 \$'000
Net gain on disposal of property, plant and equipment	78	559	3,383
Interest income	2,885	1,328	6,336
Dividend income	-	4	4
Other income	-	3,938	3,345
	2,963	5,829	13,068

5. Profit before Income Tax

	6 months 31 December 2007 \$'000	6 months 31 December 2006 \$'000	12 months 30 June 2007 \$'000
Profit before income tax includes the following specific expenses:			
<i>Depreciation</i>			
Buildings	9,635	9,585	18,704
Plant and equipment	19,170	19,890	39,200
Other	10	13	25
Furniture and fittings	2,778	3,086	5,968
Motor vehicles	136	138	256
Total depreciation	31,729	32,712	64,153
<i>Amortisation</i>			
Casino licences	1,208	1,273	2,452
Software	2,929	2,957	5,622
Total amortisation	4,137	4,230	8,074
<i>Finance costs - net</i>			
Interest and finance charges paid/payable	43,676	46,690	93,295
Exchange losses/(gains) on foreign currency borrowings	(722)	273	66
	42,954	46,963	93,361
<i>Rental expense relating to operating leases</i>			
Lease payments	8,547	6,971	14,331
Total rental expense relating to operating leases	8,547	6,971	14,331
<i>Other expenses</i>			
Utilities, insurance and rates	10,608	10,891	21,257
Community funding and gaming levies	4,674	4,371	8,715
Property expenses	16,982	16,123	32,207
Other	25,737	36,312	59,040
Total other expenses	58,001	67,697	121,219
<i>Structuring costs</i>			
Restructuring costs	1,707	-	4,322
Transaction costs	3,115	-	-
	4,822	-	4,322

Restructuring costs relate to redundancy and other payments. Transaction costs relate to various due diligence costs.

6. Cinemas

SKYCITY is currently in negotiations with potential buyers of the Cinemas business. Based on lower than expected operating results in the current year, the directors have determined that a write down in the carrying value of this business is appropriate. A write down of \$60m has been made to reduce the carrying value of the cinemas business to its estimated value-in-use. A decision to sell or retain the business remains subject to further consideration and the conclusion of the negotiations currently in progress.

7. Share Capital

	31 December 2007 Shares	31 December 2006 Shares	30 June 2007 Shares	31 December 2007 \$'000	31 December 2006 \$'000	30 June 2007 \$'000
Opening balance of ordinary shares issued	450,709,087	429,287,177	429,287,177	364,068	281,735	281,735
Shares issued under profit distribution plan	12,470,788	12,622,879	21,421,910	54,340	60,292	100,114
Exercise of share rights/options	1,631,213	650,667	650,667	23,973	5,956	5,956
Issue of share rights/options	-	-	-	316	406	786
Shares issued under employee bonus scheme	344,019	480,583	480,583	1,705	2,126	2,126
Shares repurchased and cancelled	(1,975,232)	(1,131,250)	(1,131,250)	(15,438)	(5,403)	(5,403)
Shares repurchased and not cancelled	-	-	-	-	-	(21,246)
	<u>463,179,875</u>	<u>441,910,056</u>	<u>450,709,087</u>	<u>428,964</u>	<u>345,112</u>	<u>364,068</u>

8. Reserves and Retained Profits

	31 December 2007 \$'000	31 December 2006 \$'000	30 June 2007 \$'000
(a) Reserves			
Available for sale investments revaluation reserve	-	58	85
Hedging reserve - cash flow hedges	18,825	(9,078)	1,227
Foreign currency translation reserve	(14,096)	(16,634)	(20,907)
Employee share entitlement reserve	1,851	3,671	3,526
	<u>6,580</u>	<u>(21,983)</u>	<u>(16,069)</u>
Available for sale investments revaluation			
Balance at the beginning of the period	85	(69)	(69)
Revaluations	(85)	127	154
Balance at end of period	<u>-</u>	<u>58</u>	<u>85</u>
Hedging reserve - cash flow hedges			
Balance at the beginning of the period	1,227	(26,173)	(26,173)
Revaluation	20,131	(41,079)	(62,179)
Release to Income Statement	6,064	65,885	101,755
Deferred tax	(8,597)	(7,711)	(12,176)
Balance at end of period	<u>18,825</u>	<u>(9,078)</u>	<u>1,227</u>
Foreign currency translation reserve			
Balance at the beginning of the period	(20,907)	13,123	13,123
Exchange difference on translation of overseas subsidiaries	8,518	(30,929)	(36,820)
Effect of hedging the net investment of overseas subsidiaries	(1,707)	5,110	6,135
Release to Income Statement	-	(3,938)	(3,345)
Balance at end of period	<u>(14,096)</u>	<u>(16,634)</u>	<u>(20,907)</u>
Employee Share Entitlement Reserve			
Balance at the beginning of the period	3,526	4,948	4,948
Less value of shares issued during the period	(1,705)	(2,126)	(2,126)
Plus value of share entitlements for the period	30	849	704
Balance at end of period	<u>1,851</u>	<u>3,671</u>	<u>3,526</u>

8. Reserves and Retained Profits (continued)

(i) Available for sale investments revaluation reserve

Changes in the fair value of investments, such as equities, classified as available for sale financial assets, are taken to the available for sale investments revaluation reserve. 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. Amounts are recognised in profit and loss when the associated hedged transaction affects profit and loss.

(iii) Foreign currency translation reserve

Exchange differences arising on translation of 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.

The release to Income Statement in the prior year relates to a restructure of the capital structure of certain foreign operations which is deemed to be a partial disposal.

(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 2008. 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 2006 through 30 June 2008.

PPI shares, relating to plan years prior to 30 June 2007, are issued in three equal installments, 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.

(b) Retained profits

Movements in retained profits were as follows:

	31 December 2007 \$'000	31 December 2006 \$'000	30 June 2007 \$'000
Balance at the beginning of the period	31,044	32,756	32,756
Net profit for the year	1,287	45,045	98,402
Distributions/dividends	(54,340)	(68,076)	(100,114)
Balance at the end of the period	(22,009)	9,725	31,044

9. Distributions/Dividends

	31 December 2007 \$'000	31 December 2006 \$'000	30 June 2007 \$'000
Prior year's final distribution/dividend	54,340	68,076	60,292
Interim distribution/dividend	-	-	39,822
Total dividends provided for or paid	<u>54,340</u>	<u>68,076</u>	<u>100,114</u>

10. Contingencies

There are no significant contingent liabilities or assets.

11. Commitments

(a) Capital commitments

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

	31 December 2007 \$'000	31 December 2006 \$'000	30 June 2007 \$'000
Property, plant and equipment	64,728	47,782	70,643

(b) Operating lease commitments

	31 December 2007 \$'000	31 December 2006 \$'000	30 June 2007 \$'000
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:			
Within one year	17,240	15,378	16,583
Later than one year but not later than five years	57,538	52,170	55,603
Later than five years	<u>318,039</u>	<u>314,304</u>	<u>316,691</u>
	<u>392,817</u>	<u>381,852</u>	<u>388,877</u>

12. Segment information

(a) Description of segments

Geographical segments

The group is organised on a global basis in the following main geographical areas:

SKYCITY Auckland
Rest of New Zealand (including Cinemas)
SKYCITY Adelaide, Australia
SKYCITY Darwin, Australia
International Business

Business segments

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

Gaming machines
Table games
Other - includes cinemas, hotels, food and beverages, convention centre and SKY Tower.

(b) Primary reporting - geographic segments

Half year 31 December 2007	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>205,257</u>	<u>61,724</u>	<u>72,088</u>	<u>63,183</u>	<u>21,937</u>	<u>424,189</u>
Segment result	<u>91,210</u>	<u>(69,755)</u>	<u>8,548</u>	<u>22,999</u>	<u>12,568</u>	<u>65,570</u>
Half year 31 December 2006	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>203,713</u>	<u>65,704</u>	<u>74,670</u>	<u>57,885</u>	<u>18,001</u>	<u>419,973</u>
Segment result	<u>89,769</u>	<u>(2,808)</u>	<u>7,301</u>	<u>17,986</u>	<u>(1,162)</u>	<u>111,086</u>
Year ended 30 June 2007	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>398,528</u>	<u>135,456</u>	<u>142,065</u>	<u>107,499</u>	<u>32,549</u>	<u>816,097</u>
Segment result	<u>174,884</u>	<u>(1,846)</u>	<u>12,600</u>	<u>32,671</u>	<u>6,607</u>	<u>224,916</u>

(c) Cinemas

Included within Rest of New Zealand is Cinemas with total revenue and other income of \$32.5m (December 2006 \$35.0m, June 2007 \$71.1m) and segment result of \$1.3m deficit (December 2006 \$1.8m surplus, June 2007 \$7.1m surplus).

13. Events occurring after the balance sheet date

(a) Profit Distribution Plan

On 25 February 2008, the directors resolved to make a pro-rata issue of bonus shares in respect of an interim distribution of profits of 11 cents per share for the six month period ended 31 December 2007. The bonus shares will be issued to all shareholders on the company's register at the close of business on Wednesday, 12 March 2008. The number of bonus shares to be issued is calculated as 11 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 13 to 19 March. 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 Friday, 11 April 2008.

(b) Sale of Victoria Street

Subsequent to 31 December 2007 the Group sold 162 Victoria Street West for \$7.5m. The sale was completed on 25 January 2008.

14. Reconciliation of profit after income tax to net cash inflow from operating activities

	31 December 2007 \$'000	31 December 2006 \$'000	30 June 2007 \$'000
Profit for the year	1,287	45,045	98,402
Minority interest	(664)	48	28
Depreciation and amortisation	35,866	36,942	72,226
Interest expense	44,952	46,202	92,633
Current period employee share entitlement	1,705	849	704
Current period share options expense	316	406	786
Share of profits of associates not received as dividends or distributions	(1,463)	(1,876)	(24)
Gain on sale of property, plant and equipment	-	(559)	(3,383)
Release from foreign currency translation reserve	-	(3,939)	(3,345)
Sale of available for sale financial asset	(152)	-	-
Change in operating assets and liabilities			
(Increase)/decrease receivables and prepayments	(833)	(9,609)	(193)
(Increase)/decrease in inventories	(226)	(676)	(282)
Increase in future income tax benefit	(1,967)	-	10,689
Increase/(decrease) in payables and accruals	(19,030)	39,893	18,725
Increase/(decrease) in provision for deferred income tax	11,681	(1,926)	(7,604)
Decrease/(increase) in provision for income taxes receivable	11,359	16,963	21,467
Impairment of Cinemas	60,000	-	-
Capital items included in working capital movements	11,404	(39,005)	(33,346)
Net cash inflow from operating activities	<u>154,235</u>	<u>128,758</u>	<u>267,483</u>

---ooo0ooo---