

THE IR

INTERIM REPORT 2013



H1Y 2013

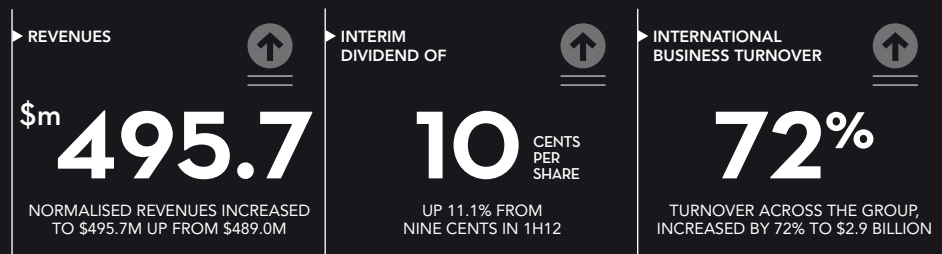
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A copy of the FY13 interim result presentation can be found in the investor centre on our company website; www.skycityentertainmentgroup.com

HIGHLIGHTS

- ▶ Normalised revenues increased to \$495.7m up from \$489.0m
- ▶ Interim dividend of 10 cents per share – up 11.1% from nine cents in 1H12
- ▶ International business turnover across the Group, increased by 72% to \$2.9 billion
- ▶ SKYCITY has reached an agreement with the South Australian Government to re-develop and expand the Adelaide Casino, which will see us invest \$350m into a world-class entertainment complex
- ▶ SKYCITY is now re-engaging with the New Zealand Government to conclude the negotiations for us to build and operate an International Convention Centre
- ▶ Sold 50% interest in Christchurch Casinos
- ▶ Strong balance sheet with sound debt profile



KEY FINANCIAL RESULTS

	1H13 \$'M	1H12 \$'M	Movement \$'M	Movement %
Reported Group Revenues ⁽¹⁾	487.3	494.0	(6.7)	(1.4)
Reported EBITDA	152.8	168.2	(15.4)	(9.2)
Reported NPAT	66.3	78.8	(12.5)	(15.9)
Normalised Group Revenues ⁽¹⁾	495.7	489.0	6.7	1.4
Normalised EBITDA	162.7	165.5	(2.8)	(1.7)
Normalised NPAT	74.4	77.0	(2.6)	(3.4)

(1) On pages 2 to 6, revenues refer to gaming win (GST inclusive to facilitate Australasian comparisons) plus non-gaming revenue

(2) The difference between normalised and reported can be seen on page 24



CONTINUED SUCCESS

DEAR SHAREHOLDER,

The interim result for 1H13 is what I would describe as satisfactory, given a tough comparative year, which included the benefit of the Rugby World Cup 2011 in New Zealand. Nevertheless, we are pleased to see that the core gains we made in New Zealand last year were retained. I am excited about the developments we have in place for New Zealand and Australia over the next 12 months and beyond, meaning SKYCITY is well-positioned for future growth.



NIGEL MORRISON / CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR

RECENT HIGHLIGHTS

- Normalised Net Profit after Tax (NPAT) of \$74.4 million for the six months ended 31 December 2012 – down \$2.6m from \$77.0m in the same period last year, which was positively impacted by an estimated \$4.7m from the Rugby World Cup (RWC) in New Zealand.
- Normalised revenues increased to \$495.7m up from \$489.0m last year which included \$11.5 from the RWC. Excluding the RWC impact normalised revenues were up from \$477.5m – up 3.8%.
- International business turnover across the Group, increased by 72% to \$2.9 billion, illustrating the success of our Horizon salons in Auckland and our new Horizon Villas and Salons, in Darwin's Lagoon Resort.
- Reported NPAT was \$66.3m – down \$12.5m from \$78.8m in the same period last year. This was primarily attributable to the RWC impact and also below theoretical win rate in our growing international business, compared to an above theoretical win rate in that business, in the same period last year.
- I am pleased to update shareholders that following a successful Chinese New Year, the actual win rate for the year to date has increased from 1.06% as at the half year and as at the end of February, is now in line with theoretical of 1.35%.
- SKYCITY has announced a new dividend policy which sees an increase in the dividend to a minimum of 20 cps per annum and not less than 80% of annual Normalised NPAT, subject to maintaining the company's investment grade credit rating and giving priority to the funding of strategic projects. This increases the payout ratio which under our previous policy was set between 60-70% of annual Normalised NPAT.
- SKYCITY declared an interim dividend of 10 cents per share in accordance with the new policy – up 11.1% from nine cents in 1H12.
- Subsequent to the announcement of our half year results, on 5 March 2013, SKYCITY was shortlisted to participate in the next stage of the process for an exciting new tourism/casino infrastructure development on the Gold Coast in Australia.

SKYCITY AUCKLAND

Auckland's Normalised Revenue of \$263.7m was down \$5.2m (1.9%) on the previous year (which included RWC) mainly due to a change in the accounting for electronic gaming machine (EGM) revenues under the new Bally gaming system from 1H13. Excluding the accounting impact of Bally, Auckland EGM Revenues were flat – an acceptable performance.

The success of Auckland's Horizon gaming facilities for high spending international visitors continues with a \$10.2m increase in Auckland's International Business Normalised Revenues to \$28.8m. Strong and continued visitation from China, Malaysia and other Asian countries drove the growth.

We are continuing to invest in the redevelopment of our Federal Street premium dining precinct, following the success of the award-winning Depot and The Grill.

Dining developments planned for 2H13 include:

- Al Brown's Federal Deli, an all-day deli-style dining experience
- Nic Watt, previously in London with acclaimed Japanese restaurants Zuma and Roka, will open Masu, a Japanese Robata signature restaurant and bar
- Peter Gordon, one of New Zealand's most renowned chefs, will open an exciting new restaurant and bar concept on Level 53 of the Sky Tower, called Sugar Club.

We are also working with Auckland Council on the \$10m redevelopment of Federal Street, to make it a more attractive and pedestrian friendly environment.

SKYCITY is now re-engaging with the New Zealand government with the objective of concluding the negotiations for us to build and operate an International Convention Centre, following the release of the Auditor General's report into the tender process. The Convention Centre will create around 1,000 jobs in its construction and 800 when it's up and running and attract some 350,000–400,000 conference delegates each year.

There is no doubt New Zealand needs to invest more in tourism infrastructure, such as the NZICC facility. In addition to creating a major construction project for Auckland, it will allow New Zealand to compete globally for a fair share of large-scale conferences, exhibitions and events, which will increase international visitation, deliver much needed jobs and stimulate economic growth in Auckland and across New Zealand.

SKYCITY ADELAIDE

While Adelaide revenue was flat, through good cost management SKYCITY delivered EBITDA growth of 4.7%.

SKYCITY has reached an agreement with the South Australia Government regarding the future regulatory and taxation framework for Adelaide Casino. SKYCITY has confirmed that it will invest up to A\$350m to transform Adelaide Casino into a world class integrated entertainment complex.

This agreement provides for a significant restructuring of the regulatory framework and casino gaming taxation rates that will allow SKYCITY in Adelaide to compete on a level playing field with other Australian casinos. For the first time we will be able to focus on attracting our fair share of interstate and international premium player to Adelaide. We are very excited about the opportunity to transform the Adelaide Casino into a truly world class integrated entertainment complex.

During 2H13 SKYCITY will further develop its plans for the new entertainment complex and will finalise the necessary agreements with the SA Government regarding the future regulatory and taxation framework.

Upside from the regulatory and taxation reforms is expected from FY14, with the full benefits being realised once the full expansion is complete at the end of FY16.

The final development concept is still to be finalised, but is planned to include:

- A 6-star boutique hotel
- Exciting new signature restaurants, bars, entertainment and retail concepts
- An expanded gaming floor featuring contemporary new gaming areas focused on VIP Premium customers including SKYCITY's International Horizon branded Suites and Salons; and
- Access to much needed secure underground parking for SKYCITY customers with a minimum of 1,000 spaces

SKYCITY DARWIN

Despite a slow local economy, Darwin's result was pleasing, with 13.4% growth in Normalised Revenue to A\$72.1m.

On 22 February we opened a new upstairs lounge area for VIP customers. We also continue to capitalise on the returns from our recent investment in the Darwin Lagoon Resort and the Horizon gaming salons for our high spending international visitors.

SKYCITY HAMILTON

SKYCITY Hamilton saw normalised EBITDA growth of 3.6% on 1H12 due to improved table games performance following the refurbishment of the VIP room.

Plans for the 4.5 star Hamilton Casino Hotel are progressing, with designs currently being finalised and construction expected to start by the end of 2H13.

SKYCITY QUEENSTOWN

Trading at Queenstown Casino is broadly in line with the prior period. Visitation from high spending Asian tourists to Queenstown continued to grow, reflecting the increased number of flights into New Zealand and the popularity of Queenstown as a tourist destination.

Having purchased the remaining share of SKYCITY Queenstown in December 2012, we are investing in further growth of our international VIP business in the region.

On 27 February the Queenstown Lakes District Council announced that the consortium led by Ngai Tahu Property Ltd and Morrison was selected as the preferred developer of the proposed new convention centre in Queenstown and that SKYCITY had been selected as the preferred operator.

OUTLOOK FOR 2H13

In the October 2012 Annual Meeting SKYCITY indicated that the New Zealand and South Australian economies were somewhat flat, with an uncertain outlook. Whilst there are some indications of growth returning to New Zealand, South Australia still remains subdued.

We expect Auckland's result to improve in 2H13 compared to 2H12, based on the signs of some modest growth in consumer spending. However, we anticipate Adelaide to be broadly flat in 2H13.

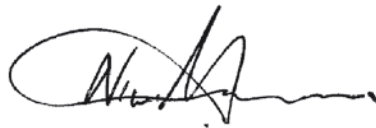
While there is caution around discretionary spending in the Northern Territory, Darwin should continue to grow, as we continue to see the benefits from ongoing investment in that property.

In prior year 2H12, the NPAT contribution from Christchurch was \$3.1m. As Christchurch has now been sold, this will not be repeated in 2H13 or beyond.

Notwithstanding the sale of Christchurch, SKYCITY still expects Normalised Group NPAT for FY13 to be around \$140 million.

Finally, I would like to thank my executive management team for their commitment and hard work and all SKYCITY management and staff for their dedication and contribution. I would also like to thank our new Chairman Chris Moller and our former Chairman Rod McGeoch and the Board for their guidance and support.

Yours sincerely



NIGEL MORRISON / CHIEF EXECUTIVE OFFICER
AND MANAGING DIRECTOR



Our strong balance sheet has SKYCITY well positioned to fund the significant opportunities ahead.



INDEPENDENT ACCOUNTANTS' REPORT

To the shareholders of SKYCITY Entertainment Group Limited

Report on the Interim Financial Statements

We have reviewed the interim condensed financial statements ("financial statements") of SKYCITY Entertainment Group Limited on pages 9 to 23, which comprise the balance sheet as at 31 December 2012, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Interim Financial Statements

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 2012, and its financial performance and cash flows for the period ended on that date.

Accountants' Responsibility

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.

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 period ended 31 December 2012 in accordance with the Review Engagement Standards issued in New Zealand.

We have no relationship with, or interests in, SKYCITY Entertainment Group Limited other than in our capacities as accountants conducting this review, auditors and providers of accounting, tax, other assurance and advisory services. These services have not impaired our independence as accountants of the Group.

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements which have been prepared in accordance with International Accounting Standard 34 and New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting do not present fairly the financial position of the Group as at 31 December 2012 and its financial performance and cash flows for the period ended on that date.

Restriction on Distribution or Use

This report is made solely to the Company's shareholders, as a body. Our review work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an accountants' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our review procedures, for this report or for the opinions we have formed.

Chartered Accountants
13 February 2013

Auckland

CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2012	NOTES	UNAUDITED 6 MONTHS 31 DECEMBER 2012 \$'000	UNAUDITED 6 MONTHS 31 DECEMBER 2011 \$'000	AUDITED 12 MONTHS 30 JUNE 2012 \$'000
Total receipts including GST	3	498,395	505,223	960,203
Less non gaming GST	3	(13,704)	(14,512)	(26,398)
Gaming win plus non gaming revenue	3	484,691	490,711	933,805
Less gaming GST	3	(42,852)	(42,721)	(82,275)
Revenue	3	441,839	447,990	851,530
Revenue	3	441,839	447,990	851,530
Other income	4	401	873	1,928
Share of net profit of associate	7	2,245	2,419	5,447
Employee benefits expense		(143,163)	(139,316)	(276,642)
Other expenses	5	(61,010)	(53,099)	(100,354)
Direct consumables		(35,318)	(31,377)	(62,190)
Gaming taxes and levies		(31,473)	(32,337)	(64,039)
Marketing and communications		(18,288)	(25,587)	(49,909)
Directors' fees		(558)	(535)	(1,034)
Depreciation and amortisation expense	5	(38,473)	(36,236)	(72,770)
Restructuring costs	5	(1,849)	(800)	(4,274)
Gain on disposal of associate	7	59	-	-
Finance costs net	6	(26,204)	(25,498)	(48,861)
Profit before income tax		88,208	106,497	178,832
Income tax expense		(21,801)	(27,582)	(39,962)
Profit for the period		66,407	78,915	138,870
Attributable to:				
Shareholders of the company		66,314	78,826	138,534
Non controlling interest		93	89	336
		66,407	78,915	138,870
		CENTS	CENTS	CENTS
Earnings per share for profit attributable to the shareholders of the company:				
Basic earnings per share (cents)		11.5	13.7	24.0
Diluted earnings per share (cents)		11.5	13.5	23.8

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

STATEMENT OF COMPREHENSIVE INCOME

31 DECEMBER 2012	NOTES	UNAUDITED 6 MONTHS 31 DECEMBER 2012 \$'000	UNAUDITED 6 MONTHS 31 DECEMBER 2011 \$'000	AUDITED 12 MONTHS 30 JUNE 2012 \$'000
Profit for the period		66,407	78,915	138,870
Other comprehensive income				
Exchange differences on translation of overseas subsidiaries	11	(3,260)	6,898	(4,517)
Movement in cash flow hedges	11	1,033	(1,111)	(1,375)
Income tax relating to components of other comprehensive income		(316)	243	360
Other comprehensive (expenses)/income for the period		(2,543)	6,030	(5,532)
Total comprehensive income for the period, net of tax		63,864	84,945	133,338
Total comprehensive income for the period is attributable to:				
Shareholders of the company		63,771	84,856	133,002
Non controlling interest		93	89	336
		63,864	84,945	133,338

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

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2012	NOTES	UNAUDITED 31 DECEMBER 2012 \$'000	UNAUDITED 31 DECEMBER 2011 \$'000	AUDITED 30 JUNE 2012 \$'000
ASSETS				
Current assets				
Cash and bank balances		88,556	104,010	41,400
Receivables and prepayments		29,889	23,221	26,974
Inventories		7,952	7,975	6,876
Tax prepayment		37,066	36,428	35,503
Derivative financial instruments		–	2,626	480
Total current assets		163,463	174,260	111,233
Non current assets				
Tax prepayment		20,179	14,580	31,550
Property, plant and equipment		1,098,869	1,031,554	1,064,418
Intangible assets		407,459	419,125	410,645
Investment in associate		–	75,210	75,266
Derivative financial instruments		14,457	21,700	23,154
Total non current assets		1,540,964	1,562,169	1,605,033
Total assets		1,704,427	1,736,429	1,716,266
LIABILITIES				
Current liabilities				
Payables		113,318	98,714	107,186
Current tax liabilities		4,884	9,430	7,972
Derivative financial instruments		698	1,013	664
Interest bearing liabilities	8	–	256,073	–
Total current liabilities		118,900	365,230	115,822
Non current liabilities				
Interest bearing liabilities	8,9	575,214	370,817	604,902
Subordinated debt – capital notes		56,420	56,405	56,414
Deferred tax liabilities		84,076	92,378	84,571
Derivative financial instruments		47,339	39,968	45,415
Total non current liabilities		763,049	559,568	791,302
Total liabilities		881,949	924,798	907,124
Net assets		822,478	811,631	809,142
EQUITY				
Share capital	10	728,362	726,565	727,598
Reserves	11(a)	(4,393)	9,712	(1,850)
Retained profits	11(b)	98,509	73,897	81,690
Parent entity interest		822,478	810,174	807,438
Non controlling interest	12	–	1,457	1,704
Total equity		822,478	811,631	809,142

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTH PERIOD ENDED 31 DECEMBER 2012	NOTES	SHARE CAPITAL \$'000	HEDGING RESERVES \$'000	FOREIGN CURRENCY TRANSLATION RESERVE \$'000	RETAINED PROFITS \$'000	NON CONTROLLING INTEREST \$'000	TOTAL EQUITY \$'000
Balance as at 1 July 2012		727,598	(13,355)	11,505	81,690	1,704	809,142
Total comprehensive income/(expense)		-	717	(3,260)	66,314	93	63,864
Dividends	13	-	-	-	(46,171)	-	(46,171)
Share rights issued for employee services		637	-	-	-	-	637
Net purchases of treasury shares		127	-	-	-	-	127
Acquisition of non controlling interest	11,12	-	-	-	(3,324)	(1,676)	(5,000)
Repayment of non controlling interest	12	-	-	-	-	(121)	(121)
Balance as at 31 December 2012		728,362	(12,638)	8,245	98,509	-	822,478
Balance as at 1 July 2011		728,616	(12,340)	16,022	41,150	1,368	774,816
Total comprehensive income/(expense)		-	(868)	6,898	78,826	89	84,945
Dividends	13	-	-	-	(46,079)	-	(46,079)
Shares issued under dividend reinvestment plan		4,736	-	-	-	-	4,736
Share rights issued for employee services		705	-	-	-	-	705
Net purchase of treasury shares		(7,492)	-	-	-	-	(7,492)
Balance as at 31 December 2011		726,565	(13,208)	22,920	73,897	1,457	811,631
Balance as at 1 July 2011		728,616	(12,340)	16,022	41,150	1,368	774,816
Total comprehensive income/(expense)		-	(1,015)	(4,517)	138,534	336	133,338
Dividends	13	-	-	-	(97,994)	-	(97,994)
Shares issued under dividend reinvestment plan		4,736	-	-	-	-	4,736
Share rights issued for employee services		1,426	-	-	-	-	1,426
Net purchase of treasury shares		(7,180)	-	-	-	-	(7,180)
Balance as at 30 June 2012		727,598	(13,355)	11,505	81,690	1,704	809,142

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

STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2012	NOTES	UNAUDITED 6 MONTHS 31 DECEMBER 2012 \$'000	UNAUDITED 6 MONTHS 31 DECEMBER 2011 \$'000	AUDITED 12 MONTHS 30 JUNE 2012 \$'000
Cash flows from operating activities				
Receipts from customers		434,357	455,510	854,348
Payments to suppliers and employees		(256,136)	(252,693)	(490,574)
		178,221	202,817	363,774
Dividends received		1,615	996	3,968
Interest received		69	90	167
Gaming taxes paid		(27,715)	(28,699)	(56,841)
Income taxes paid		(15,892)	(11,752)	(49,325)
Net cash inflow from operating activities	18	136,298	163,452	261,743
Cash flows from investing activities				
Purchase of/proceeds from property, plant and equipment		(72,088)	(82,254)	(153,689)
Payments for intangible assets		(3,393)	(5,205)	(11,008)
Non controlling interest share repurchase		(121)	-	-
Purchase of non controlling interest in Queenstown Casinos Limited		(5,000)	-	-
Loan repayment from Christchurch Hotels Limited during the period		527	160	1,110
Loan repayment from Christchurch Hotels Limited as part of the disposal		4,598	-	-
Proceeds from sale of Christchurch Casinos Limited		75,402	-	-
Net cash (outflow) from investing activities		(75)	(87,299)	(163,587)
Cash flows from financing activities				
Cash flows associated with derivatives		(1,358)	-	11,283
Repayment of borrowings		(16,000)	-	(264,450)
New borrowings		-	-	241,314
Net issue/(purchase) of treasury shares		127	(7,492)	(7,180)
Dividends paid to company shareholders		(46,171)	(41,343)	(93,258)
Interest paid		(25,665)	(27,885)	(49,042)
Net cash (outflows) from financing activities		(89,067)	(76,720)	(161,333)
Net (decrease)/increase in cash and bank balances		47,156	(567)	(63,177)
Cash and bank balances at the beginning of the period		41,400	104,577	104,577
Cash and cash equivalents at end of the period		88,556	104,010	41,400

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

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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 13 February 2013.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements for the interim half year reporting period ended 31 December 2012 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 Statement of Cash Flows have been applied on a basis consistent with those used in the audited financial statements for the year ended 30 June 2012 and the unaudited financial statements for the six months ended 31 December 2011.

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 2012.

(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.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

3. REVENUE

	6 MONTHS 31 DECEMBER 2012 \$'000	6 MONTHS 31 DECEMBER 2011 \$'000	12 MONTHS 30 JUNE 2012 \$'000
Total receipts including GST	498,395	505,223	960,203
Less non gaming GST	(13,704)	(14,512)	(26,398)
Gaming win plus non gaming revenue	484,691	490,711	933,805
Less gaming GST	(42,852)	(42,721)	(82,275)
Total revenue	441,839	447,990	851,530
Gaming	339,367	341,738	658,713
Non gaming	102,472	106,252	192,817
Total revenue	441,839	447,990	851,530

Non gaming revenue includes revenues from hotels, food and beverage, convention centre, carparking, property rentals, Sky Tower, and other non gaming activities.

Included within gaming revenue is revenue relating to loyalty action points of \$1,615,000 (31 December 2011: \$6,188,000, 30 June 2012: \$11,621,000).

Included within non gaming revenue is revenue relating to loyalty action points of \$55,000 (31 December 2011: \$155,000, 30 June 2012: \$266,000).

Gaming win represents the gross cash inflows associated with gaming activities. "Total receipts including GST" and "Gaming win plus non gaming revenue" do not represent revenue as defined by NZ IAS 18 "Revenue". The Group has decided to disclose these amounts as they give shareholders and interested parties a better appreciation for the scope of the Group's gaming activities and is consistent with industry practice adopted by casino operations in Australia.

4. OTHER INCOME

	6 MONTHS 31 DECEMBER 2012 \$'000	6 MONTHS 31 DECEMBER 2011 \$'000	12 MONTHS 30 JUNE 2012 \$'000
Net gain on disposal of property, plant and equipment	327	778	1,756
Interest income – Christchurch Hotels Limited	69	90	167
Dividend income	5	5	5
	401	873	1,928

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

5. EXPENSES

	6 MONTHS 31 DECEMBER 2012 \$'000	6 MONTHS 31 DECEMBER 2011 \$'000	12 MONTHS 30 JUNE 2012 \$'000
Profit before income tax includes the following specific expenses:			
<i>Depreciation</i>			
Buildings	13,727	12,648	24,777
Plant and equipment	17,065	17,187	34,215
Furniture and fittings	3,920	3,357	7,366
Motor vehicles	200	195	400
Total depreciation	34,912	33,387	66,758
<i>Amortisation</i>			
Casino licence (Adelaide)	1,336	1,338	2,682
Software	2,225	1,511	3,330
Total amortisation	3,561	2,849	6,012
Total depreciation and amortisation	38,473	36,236	72,770
<i>Other expenses includes:</i>			
Utilities, insurance and rates	11,914	10,581	21,683
Community Trust donations	1,212	1,622	3,143
Minimum lease payments relating to operating leases	2,288	2,211	4,535
Other property expenses	8,184	8,032	16,045
Other items (including International commissions)	36,806	30,635	54,905
Provision for bad and doubtful debts	606	18	43
	61,010	53,099	100,354
<i>Restructuring costs</i>			
Redundancy and other staff payments	1,040	293	2,581
Other restructuring costs	809	507	1,693
	1,849	800	4,274

6. FINANCE COSTS – NET

	6 MONTHS 31 DECEMBER 2012 \$'000	6 MONTHS 31 DECEMBER 2011 \$'000	12 MONTHS 30 JUNE 2012 \$'000
<i>Finance costs</i>			
Interest and finance charges	26,857	27,718	53,167
Exchange losses/(gains)	288	(640)	(582)
Interest Income	(941)	(1,580)	(3,724)
Total finance costs	26,204	25,498	48,861

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

7. SIGNIFICANT ASSOCIATES

The Group previously held a 50% interest in Christchurch Casinos Limited. This interest was sold effective 20 December 2012 for \$80,000,000 cash (including repayment of the loan to Christchurch Hotels Limited). As a result of this disposal a gain of \$59,000 has been recognised in the current results.

8. CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

	31 DECEMBER 2012 \$'000	31 DECEMBER 2011 \$'000	30 JUNE 2012 \$'000
Unsecured			
United States Private Placement (USPP)	–	256,073	–
Total current interest bearing borrowings	–	256,073	–

Refer note 9 (Non current liabilities) for details of the USPP.

9. NON CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

	31 DECEMBER 2012 \$'000	31 DECEMBER 2011 \$'000	30 JUNE 2012 \$'000
Unsecured			
US Private Placement	352,843	372,129	365,848
Syndicated bank facility	223,817	–	240,627
Deferred funding expenses	(1,446)	(1,312)	(1,573)
Total unsecured non current interest bearing borrowings	604,902	575,214	370,817

(a) 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 USPP fixed rate US dollar borrowing 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.

In March 2011, additional US\$175,000,000 of USPP debt was raised, US\$100,000,000 with 10 year maturity and US\$75,000,000 with 7 years.

The USPP fixed rate US dollar borrowings have been converted to New Zealand and Australian dollar floating rate borrowings by use of cross currency interest rate swaps to eliminate foreign exchange exposure to the US dollar within the Income Statement. Concurrent with the debt repurchase in 2009, all cross currency interest rate swaps and interest rate swaps hedging the relevant debt were closed out.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

March 2012 maturities of USPP (US\$85,000,000, A\$74,900,000, NZ\$47,275,000) were recognised as current liabilities in December 2011 (refer note 8) and repaid in March 2012.

The movement in the USPP from 30 June 2012 relates to foreign exchange movements.

(b) Syndicated bank facility

As at 31 December 2012, SKYCITY had in place a NZ\$485,000,000 revolving credit (31 December 2011: \$485,000,000; 30 June 2012: \$485,000,000) and A\$75,000,000 term facility (31 December 2011: A\$75,000,000; 30 June 2012: A\$75,000,000) on an unsecured, negative pledge basis in two tranches of \$200,000,000 each maturing January 2015 and June 2016, and two tranches maturing March 2019 of \$85,000,000 and A\$75,000,000.

The funding syndicate is comprised of ANZ National Bank Limited, Bank of New Zealand Limited, Commonwealth Bank of Australia, New Zealand Branch and Westpac New Zealand Limited. As at 31 December 2012 the revolving credit bank facilities were drawn to \$129,000,000 (31 December 2011: nil; 30 June 2012: \$145,000,000).

10. SHARE CAPITAL

	31 DECEMBER 2012 SHARES	31 DECEMBER 2011 SHARES	30 JUNE 2012 SHARES	31 DECEMBER 2012 \$'000	31 DECEMBER 2011 \$'000	30 JUNE 2012 \$'000
Opening balance of ordinary shares issued	576,958,340	576,958,340	576,958,340	727,598	728,616	728,616
Share rights issued for employee services	-	-	-	637	705	1,426
Employee share entitlements issued	437,021	610,404	674,251	-	-	-
Treasury shares issued	(437,021)	(2,028,915)	(2,092,762)	-	-	-
Net issue/(purchase) of treasury shares	-	-	-	127	(7,492)	(7,180)
Shares issued under dividend reinvestment plan	-	1,418,511	1,418,511	-	4,736	4,736
	576,958,340	576,958,340	576,958,340	728,362	726,565	727,598

Included within the number of shares are treasury shares of 4,080,292 (31 December 2011: 4,581,160 and 30 June 2012: 4,517,313) held by the company. The movement in treasury shares during the period related to the purchase of shares by an external trustee as part of the executive long term incentive plan. Treasury shares may be used to issue shares under the company's employee incentive plan or upon the exercise of share rights/options.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

11. RESERVES AND RETAINED PROFITS

	6 MONTHS 31 DECEMBER 2012 \$'000	6 MONTHS 31 DECEMBER 2011 \$'000	12 MONTHS 30 JUNE 2012 \$'000
(a) Reserves			
Hedging reserve – cash flow hedges	(12,638)	(13,208)	(13,355)
Foreign currency translation reserve	8,245	22,920	11,505
	(4,393)	9,712	(1,850)
Hedging reserve – cash flow hedges			
Balance at the beginning of the period	(13,355)	(12,340)	(12,340)
Revaluation	(17,753)	27,728	16,635
Transfer to net profit	18,786	(28,839)	(18,010)
Deferred tax	(316)	243	360
Balance at the end of the period	(12,638)	(13,208)	(13,355)
Foreign currency translation reserve			
Balance at the beginning of the period	11,505	16,022	16,022
Exchange differences on translation of overseas subsidiaries	(3,260)	6,898	(4,517)
Balance at the end of the period	8,245	22,920	11,505

(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.

(b) Retained profit

Movements in retained profit were as follows:

	31 DECEMBER 2012 \$'000	31 DECEMBER 2011 \$'000	30 JUNE 2012 \$'000
Balance at the beginning of the period	81,690	41,150	41,150
Profit attributable to shareholders of the company	66,314	78,826	138,534
Dividends	(46,171)	(46,079)	(97,994)
Acquisition of non controlling interest – refer note 12	(3,324)	-	-
Balance at the end of the period	98,509	73,897	81,690

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

12. NON CONTROLLING INTEREST

	31 DECEMBER 2012 \$'000	31 DECEMBER 2011 \$'000	30 JUNE 2012 \$'000
Balance at the beginning of the period	1,704	1,368	1,368
Share of surplus of subsidiaries	93	89	336
Repayment of non controlling interest	(121)	-	-
Acquisition of non controlling interest	(1,676)	-	-
Balance at the end of the period	-	1,457	1,704

The non controlling interest related to the 40% of Queenstown Casinos Limited which was not previously owned by SKYCITY. Effective 20 December 2012 this interest was purchased by the group for \$5,000,000. The purchase consideration in excess of the carrying value of the non controlling interest being \$3,324,000 is recognised in retained profits.

13. DIVIDENDS

	31 DECEMBER 2012 \$'000	31 DECEMBER 2011 \$'000	30 JUNE 2012 \$'000
Prior year's final dividend	46,171	46,079	46,079
Interim dividend	-	-	51,915
Total dividends provided for or paid	46,171	46,079	97,994

Subsequent to balance date the Board of Directors has resolved to pay a 50% imputed, 50% franked interim dividend of 10 cents per share.

Cents per share

Prior year's final distribution/dividend	8.00¢	8.00¢	8.00¢
Interim distribution/dividend			9.00¢

14. CONTINGENCIES

There are no significant contingent liabilities or assets (31 December 2011 and 30 June 2012: none).

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

15. COMMITMENTS

(a) Capital commitments

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

	31 DECEMBER 2012 \$'000	31 DECEMBER 2011 \$'000	30 JUNE 2012 \$'000
Property, plant and equipment	16,548	61,296	27,268

(b) Operating lease commitments

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

	31 DECEMBER 2012 \$'000	31 DECEMBER 2011 \$'000	30 JUNE 2012 \$'000
Within one year	7,726	7,500	6,974
Later than one year but not later than five years	19,142	20,062	18,074
Later than five years	321,466	326,983	322,136
Commitments not recognised in the financial statements		348,334	354,545
347,184			

16. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer/ Managing Director that are used to make strategic decisions.

The Group is organised into the following main operating segments:

SKYCITY Auckland

SKYCITY Auckland includes casino operations, hotels and convention, food and beverage, carparking, 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 and Christchurch Casino (sold December 2012).

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 all of SKYCITY's locations.

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

Corporate / Group

Head office functions including legal and regulatory, group finance, human resources and information technology, the Chief Executive's office and directors.

HALF YEAR ENDED 31 DECEMBER 2012	SKYCITY AUCKLAND \$'000	REST OF NEW ZEALAND \$'000	SKYCITY ADELAIDE \$'000	SKYCITY DARWIN \$'000	INTERNATIONAL BUSINESS \$'000	CORPORATE/ GROUP \$'000	TOTAL \$'000
Revenue from external customers and other revenue	213,077	28,691	91,601	81,464	27,407	-	442,240
Share of net profits of associate and gain on disposal	-	2,304	-	-	-	-	2,304
Less							
Expenses	(111,885)	(16,449)	(67,578)	(53,802)	(26,566)	(15,379)	(291,659)
Depreciation and amortisation	(21,125)	(2,488)	(5,450)	(6,746)	-	(2,664)	(38,473)
Segment profit/(loss) (Earnings before Interest and Tax)	80,067	12,058	18,573	20,916	841	(18,043)	114,412
Finance costs – net							(26,204)
Profit before income tax							88,208

HALF YEAR ENDED 31 DECEMBER 2011	SKYCITY AUCKLAND \$'000	REST OF NEW ZEALAND \$'000	SKYCITY ADELAIDE \$'000	SKYCITY DARWIN \$'000	INTERNATIONAL BUSINESS \$'000	CORPORATE/ GROUP \$'000	TOTAL \$'000
Revenue from external customers and other revenue	228,121	27,001	93,683	75,658	24,400	-	448,863
Share of net profits of associate	-	2,419	-	-	-	-	2,419
Less							
Expenses	(118,288)	(15,317)	(69,951)	(48,849)	(15,818)	(14,828)	(283,051)
Depreciation and amortisation	(19,495)	(2,874)	(5,301)	(5,754)	-	(2,812)	(36,236)
Segment profit/(loss) (Earnings before Interest and Tax)	90,338	11,229	18,431	21,055	8,582	(17,640)	131,995
Finance costs – net							(25,498)
Profit before income tax							106,497

YEAR END ENDED 30 JUNE 2012	SKYCITY AUCKLAND \$'000	REST OF NEW ZEALAND \$'000	SKYCITY ADELAIDE \$'000	SKYCITY DARWIN \$'000	INTERNATIONAL BUSINESS \$'000	CORPORATE/ GROUP \$'000	TOTAL \$'000
Revenue from external customers and other revenue	433,648	53,929	182,043	140,021	43,817	-	853,458
Share of net profits of associate	-	5,447	-	-	-	-	5,447
Less							
Expenses	(228,335)	(30,609)	(137,182)	(95,275)	(35,294)	(31,747)	(558,442)
Depreciation and amortisation	(39,868)	(5,284)	(10,678)	(11,358)	-	(5,582)	(72,770)
Segment profit/(loss) (Earnings before Interest and Tax)	165,445	23,483	34,183	33,388	8,523	(37,329)	227,693
Finance costs							(48,861)
Profit before income tax							178,832

NOTES TO THE FINANCIAL STATEMENTS

CONTINUED

17. EVENTS OCCURRING AFTER THE BALANCE DATE

(a) Dividend

On 13 February 2013, the directors resolved to provide for an interim dividend to be paid in respect of the six months ended 31 December 2012. The partially (50%) imputed, partially (50%) franked dividend of 10 cents per share will be paid on 5 April 2013 to all shareholders on the company's register at the close of business on 27 March 2013.

(b) Bank facility

During February 2013, the \$200 million bank facility previously maturing January 2015 was extended to February 2017.

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

	6 MONTHS 31 DECEMBER 2012 \$'000	6 MONTHS 31 DECEMBER 2011 \$'000	12 MONTHS 30 JUNE 2012 \$'000
Profit for the period	66,314	78,826	138,534
Non controlling interest	93	89	336
Depreciation and amortisation	38,473	36,236	72,770
Finance costs net	26,204	25,498	48,861
Current period employee share expense	637	705	1,426
Net (gain) on sale of associates	(59)	-	-
Gain on sale of property, plant and equipment	(327)	(778)	(1,756)
Share of profit of associate not received as dividends	(635)	(1,428)	(1,484)
Change in operating assets and liabilities			
Decrease/(increase) in receivables and prepayments 3,928		(2,357)	7,680
(Increase)/decrease in inventories	(1,076)	(1,005)	94
(Decrease)/increase in payables and accruals	6,132	(12,138)	(3,666)
(Decrease)/increase in deferred tax liability	(495)	(1,912)	(9,719)
Decrease/(increase) in net tax receivable	6,720	17,499	(4)
Capital items included in working capital movements	(3,326)	14,180	12,423
Net cash inflow from operating activities	136,298	163,452	261,743

RECONCILIATION BETWEEN REPORTED AND NORMALISED RESULTS

The following information has not been subject to the Independent Accountants' review.

	1H13				1H12			
	REVENUE \$M	EBITDA \$M	EBIT \$M	NPAT \$M	REVENUE \$M	EBITDA \$M	EBIT \$M	NPAT \$M
Reported	487.3	152.8	114.4	66.3	494.0	168.2	132.0	78.8
Restructuring costs	-	1.1	1.1	0.7	-	0.3	0.3	0.2
Interest on purchased NZICC land bank	-	-	-	1.0	-	-	-	-
Profit from sale of Christchurch	-	-	-	(0.1)	-	-	-	-
Other Adjustments	-	0.8	0.8	0.6	-	0.5	0.6	0.5
Total Adjustments		1.9	1.9	2.2		0.8	0.9	0.7
Adjusted	487.3	154.7	116.3	68.5	494.0	169.0	132.9	79.5
International Business at Theoretical	8.4	8.0	8.0	5.9	(5.0)	(3.5)	(3.5)	(2.5)
Normalised	495.7	162.7	124.3	74.4	489.0	165.5	129.4	77.0

Key adjustments for normalised/reported earnings are:

- Restructuring costs – costs associated with changing the staffing structures designed to create future efficiencies
- Interest on purchase of New Zealand International Convention Centre (NZICC) land bank – calculated using the Group's average cost of debt
- Profit from sale of Christchurch Casino
- Other Adjustments includes one-off costs associated with opening of the Darwin Tropical Resort, the introduction of the Bally gaming system and other miscellaneous items
- IB win rate at 1.06% for 1H13. Adjustment to theoretical win rate of 1.35% based on actual turnover increases EBITDA by \$8.0m; during 1H12 the same adjustment reduced EBITDA by \$3.5m

Normalisation adjustments have been calculated in a consistent manner in 1H13 and 1H12.

As disclosed previously, the 1H12 results benefited from the Rugby World Cup which give an improved prior year performance

- Revenue \$11.5m (Auckland \$10.7m, Hamilton \$0.8m)
- EBITDA \$6.5m (Auckland \$6.0m, Hamilton \$0.5m)
- NPAT \$4.7m

The impact of RWC is not normalised.

Further information on adjustments between reported and normalised information is available in SKYCITY's investor pack at <http://ir.skycityentertainmentgroup.com/phoenix.zhtml?c=162796&p=sirol-irhome>

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