SKYCITY
Entertainment
Group Limited

INTERIM REPORT 2010

SKYCITY ENTERTAINMENT GROUP

CONTENTS

A copy of the FY10 Interim Result presentation can be found in the Investor Centre on our company website (www.skycityentertainmentgroup.com).

HIGHLIGHTS

- + Reported net profit at $71.0m, up 29.6% on first half last year
- + Normalised net profit at $68.4m, up 23.0% on first half last year
- + New Zealand businesses resilient in challenging economic environment
- + Australian businesses continued growth momentum evident in FY09
- + International business growth continued with turnover up 18%
- + Cinemas sale negotiated at an expected $10m surplus to carrying value
- + Debt repayment and tight control of capital expenditure
- + Strong balance sheet with sound debt profile
- + Interim dividend of 8.0cps – fully imputed

KEY FINANCIAL RESULTS

	1H10	1H09	MOVEMENT	
	$M	$M	$M	%
Group Revenues	447.0	422.1	24.9	5.9%
Normalised EBITDA	158.3	149.7	8.6	5.7%
Reported EBITDA	160.1	148.5	11.6	7.8%
Normalised NPAT	68.4	55.6	12.8	23.0%
Reported NPAT	71.0	54.8	16.2	29.6%

Normalised earnings adjust international business to theoretical return win rate and for non-recurring items

DEAR SHAREHOLDER

I am pleased to report continuing progress in our core objectives of building earnings across the Group, despite a challenging economic environment particularly in New Zealand, and further enhancing our balance sheet strength.

RESULT HIGHLIGHTS

Highlights for the first half of the 2010 financial year included:

- Record first half Net Profit of $71.0 million, up 29.6%
- Earnings growth of 7% in our Australian casinos
- Stable earnings in New Zealand, with market share growth
- International Business turnover up 18%
- Effective cost management and tight control of capital expenditure
- Repayment of $177 million of our March 2012 US Private Placement debt
- An increase in earnings per share from 11.6c per share to 12.3c per share
- Sale of our non-core Cinemas operations at an expected $10 million surplus to book value

On a normalised basis (which restates our International Business turnover at the theoretical win rate and eliminates non-recurring items), our first half Net Profit after tax was $68.4 million, up 23.0%, compared to $55.6 million for the first half last year.

Operating earnings (as measured by earnings before interest, tax, depreciation and amortisation: EBITDA) were up 7.8% on a reported basis and up 5.7% on a normalised basis.

SKYCITY's earnings base has continued to diversify with our Australian casino earnings now up to 48% of the Auckland casino earnings, compared to 40% in FY09 and 34% in FY08.

NIGEL MORRISON – CHIEF EXECUTIVE

STRENGTHENING BALANCE SHEET

We moved to strengthen our balance sheet in April last year through the $228 million equity raising and during this first half year retired $177 million of term debt in July and August.

A significant contributor to the record NPAT result was the lower interest cost arising from the equity raising and use of those funds to retire debt, with interest costs of $27.0 million down $11.1 million (29%) on the corresponding prior period.

The equity raising and subsequent debt repayment has reduced the company's gearing ratio (net debt: EBITDA) from 3.2 times at 31 December 2008 to 2.1 times at 31 December 2009 and the receipt of the proceeds from the cinema divestment in mid-February 2010 further improves the company's overall net debt position. SKYCITY continues to have available to it a $500 million bank debt facility which is currently (as at March 2010) undrawn.

We have advised that the capital notes on issue that mature during 2010 (the New Zealand notes $124 million maturing 15 May, and the Australian

ACES notes A$150 million maturing 15 December) will be either repaid or refinanced – they will not be converted into equity.

Consistent with our overall capital management objectives, we continue to maintain tight control over capital expenditure with maintenance capex targeted to be in line with or lower than annual depreciation.

Despite an 18% increase in the number of shares on issue, we were pleased to report an increase in earnings per share, up from 11.6c per share in 1H09 to 12.3c per share in 1H10. The SKYCITY board and management are tightly focused on increasing the company's earnings per share on an ongoing basis.

NEW ZEALAND

The economic environment in New Zealand remains challenging, with increasing unemployment and a further contraction of pub and club gaming (by 5% compared to the same period last year).

Further, the first half of the 2010 financial year was the first period of full implementation of the player information display (PID) requirement in New Zealand, with a number of popular games not converted to PID functionality by our machine manufacturers. A number of our customers have been affected by the non-availability of their preferred games and this has provided an additional challenge.

As a result, our Auckland revenues were flat against the corresponding half last year, with gaming machine revenues down marginally (albeit with continued market share growth) offset by modest growth in non-gaming revenues. However, tight cost management meant that operating earnings (EBITDA) were held within 0.7% of the prior half year.

We reported steady revenues and earnings at our three other New Zealand casino properties in Hamilton, Queenstown, and Christchurch (46% shareholding).

AUSTRALIA

We are pleased with the continued growth of our Australian businesses with revenues up 6% and operating earnings (EBITDA) up 7% in an environment of 'fiscal fade' due to the fiscal stimulus of 2008/09 no longer being present, softening retail activity, softer pub and club gaming revenues across Australia in the latter part of 1H10, and softer 'grind action' (main floor) in other leading Australian casinos.

Despite the more difficult economic environment, our Adelaide business continued to demonstrate steady revenue growth (up 5.3%) across all sectors – gaming machines and tables, and food and beverage. This revenue growth delivered earnings growth of 7.0% which was a continuation of the strong earnings growth momentum established during the 2009 financial year.

Darwin's revenue growth, up 6.4% over the prior period, following refurbishment of the casino, was also achieved in the context of 'fiscal fade' and softer retail spending trends with the revenue growth leading to earnings growth of 6.7%.

As foreshadowed, Darwin revenues and earnings will be impacted by the introduction of smoking bans from 2 January. In other jurisdictions, the introduction of smoking bans has been assessed as impacting revenues by between 10%-15% during the initial six month period. Our strategy to enhance and expand our Darwin property in advance of the smoke-free introduction is expected to mitigate to some extent the impact of the smoking ban and, whilst it is still relatively early, initial trends are encouraging.

INTERNATIONAL BUSINESS

Our International Business (IB) turnover increased 18% from $640 million in first half 2009 to $758 million in first half 2010. The majority of our turnover is sourced from China with over 50% of play in Auckland. A higher than theoretical win rate boosted IB EBITDA to $5.3 million, well ahead of last year's $0.8 million. On a normalised basis, EBITDA (restated at theoretical rather than actual win rate) would have been $1.9 million, double the normalised EBITDA last year of $0.8 million.

CINEMAS

During the half year, we successfully negotiated the sale of the majority of our cinema assets and have now received sale proceeds of $61.1 million. We have also progressed the divestment of the two residual cinema assets with a contract concluded for our shareholding in ticketing software development company Vista Entertainment Solutions Limited and in negotiations for the cinema and retail mall complex in New Plymouth. We expect both sales to be concluded before the end of the current financial year.

Following the settlement of the Vista and New Plymouth divestments, a gain in excess of $10 million over the carrying value of the cinema assets is anticipated and will be reported in the SKYCITY result for the full year.

INTERIM DIVIDEND

SKYCITY's dividend policy was amended in 2009, moving away from the shares distribution structure and reducing the payout ratio from 90% of net profit after tax (NPAT) to a range of 60%-70%, in line with the company's overall capital management objectives.

An interim dividend of 8.0c per share (paid in cash and fully imputed at the company's tax rate of 30%) will be paid on 1 April 2010 to those shareholders on the company's share register as at 19 March. The payment of 8.0c per share sits in the middle of the 60%-70% range, at 65% of first half NPAT.

OUTLOOK FOR 2H10

In New Zealand, we anticipate a continuing challenging environment in the short term (with continuing higher unemployment and a contraction in gaming machine revenues in pubs and clubs) and, while we do not see any significant earnings growth for our Auckland business in this environment for the balance of this financial year, we do expect that our New Zealand businesses will remain relatively resilient.

In this second half, our Australian businesses will not benefit from the fiscal stimulus packages that applied in the second half of 2009, so the comparative to 2H09 will be challenging. In addition, the smoking bans introduced in the Northern Territory from 2 January are expected to have a negative impact on gaming revenues, although to date it appears that this may be partially mitigated by the enhancement and expansion of our Darwin casino facilities.

As a Group, we expect our second half earnings to be not dissimilar to the normalised earnings we achieved in the second half of last year. We have previously stated our objective of double digit NPAT growth in FY10, albeit in a challenging economic environment, and confirm we are on track to deliver this objective. In conjunction with our half year result release we have advised that our current expectation for FY10 normalised NPAT is in the range of 10%-15% up on last year's $115.3 million, this being exclusive of the one-off gain arising from the divestment of our cinema assets (expected to be in excess of $10 million).

In closing, I would like to express my thanks to the Board for their support and guidance over this period and to our management and staff across all our businesses and properties for their commitment and hard work.

I look forward to updating you further with the release of our results for the full year in August.

Yours sincerely,

Nigel Morrison
Chief Executive Officer and Managing Director

SIX MONTH PERIOD ENDED 31 DECEMBER 2009

FINANCIAL STATEMENTS

RELEASED TO NZX AND ASX ON 16 FEBRUARY 2010

AUDITOR'S REPORT

PRICEWATERHOUSECOOPERS

Accountants' Report

To the shareholders of SKYCITY Entertainment Group Limited

We have reviewed the interim consolidated financial statements ("financial statements") on pages 7 to 27. The financial statements provide information about the past financial performance and cash flows of the Group for the period ended 31 December 2009 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 14 and 15.

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 auditor's 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.

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 2009 and their financial performance and cash flows for the six months 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 period ended 31 December 2009 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 any of its subsidiaries other than in our capacity as accountants conducting this review, auditors, tax and accounting advisors.

Review 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 2009 and its financial performance and cash flows for the period ended on that date.

Our review was completed on 16 February 2010 and our review opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants Auckland

CONSOLIDATED INCOME STATEMENT

FOR THE HALF YEAR ENDED 31 DECEMBER 2009	NOTES	UNAUDITED 6 MONTHS 31 DECEMBER 2009 $'000	UNAUDITED 6 MONTHS 31 DECEMBER 2008 $'000	AUDITED 12 MONTHS 30 JUNE 2009 $'000
Revenue	3	**397,619**	380,896	761,864
Other income	4	**653**	992	1,981
Share of net profit of associates		**3,352**	2,818	5,653
Employee benefits expense		**(124,634)**	(120,760)	(241,567)
Other expenses	5	**(46,938)**	(47,462)	(92,927)
Direct consumables		**(24,379)**	(20,810)	(43,069)
Gaming taxes and levies		**(30,192)**	(27,941)	(58,057)
Marketing and communications		**(20,848)**	(20,004)	(37,135)
Directors' fees		**(403)**	(386)	(836)
Depreciation and amortisation expense	5	**(33,668)**	(33,210)	(70,058)
Restructuring costs		**(740)**	(1,228)	(2,368)
Finance costs – net	6	**(24,972)**	(38,391)	(66,940)
Profit before income tax		**94,850**	74,514	156,541
Income tax expense		**(26,252)**	(18,593)	(39,643)
Profit before minority interest and discontinued operations		**68,598**	55,921	116,898
Profit/(loss) from discontinued operations – Cinemas	14	**2,423**	(1,100)	(1,398)
Profit for the period		**71,021**	54,821	115,500
Attributable to				
Equity holders of SKYCITY Entertainment Group Limited		**71,018**	54,780	115,301
Profit attributable to minority interest		**3**	41	199
		71,021	54,821	115,500
Earnings per share for profit attributable to the shareholders of the company				
Basic earnings per share (cents)		**12.3**	11.6	23.4
Diluted earnings per share (cents)		**11.5**	10.8	21.2
Attributable to continuing operations				
Basic earnings per share (cents)		**11.9**	11.8	23.7
Diluted earnings per share (cents)		**11.1**	11.0	21.4
Attributable to discontinuing operations				
Basic earnings per share (cents)		**0.4**	(0.2)	(0.3)
Diluted earnings per share (cents)		**0.4**	(0.2)	(0.2)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 31 DECEMBER 2009	2009 $'000	UNAUDITED 6 MONTHS 31 DECEMBER 2008 $'000	AUDITED 12 MONTHS 30 JUNE 2009 $'000
Profit for the period	**71,021**	54,821	115,500
Other comprehensive income			
Movement in cash flow hedges	**6,789**	(31,417)	(31,807)
Exchange differences on translation of overseas subsidiaries	**(206)**	(18,568)	(5,418)
Effect of hedging the net investment of overseas subsidiaries	**(1,211)**	4,348	5,973
Income tax relating to components of other comprehensive income	**(1,681)**	8,153	8,004
Other comprehensive income/(expenses) for the period, net of tax	**3,691**	(37,484)	(23,248)
Total comprehensive income for the period	**74,712**	17,337	92,252
Total comprehensive income for the period is attributable to			
Equity holders of SKYCITY Entertainment Group Limited	**74,709**	17,296	92,053
Profit attributable to minority interest	**3**	41	199
	74,712	17,337	92,252

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

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2009	NOTES	UNAUDITED 31 DECEMBER 2009 $'000	UNAUDITED 31 DECEMBER 2008 $'000	AUDITED 30 JUNE 2009 $'000
ASSETS				
Current assets				
Cash and bank balances		**118,075**	84,486	275,613
Receivables and prepayments		**21,072**	35,568	24,156
Inventories		**6,780**	6,900	6,617
Tax receivables		**12,027**	14,112	17,922
Derivative financial instruments		**1,832**	–	6,552
Assets of discontinued operations	14	**79,546**	–	–
Total current assets		**239,332**	141,066	330,860
Non-current assets				
Tax receivable		**5,692**	–	5,707
Property, plant and equipment		**948,895**	1,005,611	1,028,765
Intangible assets		**402,939**	397,715	406,274
Investments in associates		**83,261**	83,310	84,637
Derivative financial instruments		**6,937**	13,058	16,603
Total non-current assets		**1,447,724**	1,499,694	1,541,986
Total assets		**1,687,056**	1,640,760	1,872,846

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

CONSOLIDATED BALANCE SHEET continued

AS AT 31 DECEMBER 2009	NOTES	UNAUDITED 31 DECEMBER 2009 $'000	UNAUDITED 31 DECEMBER 2008 $'000	AUDITED 30 JUNE 2009 $'000
LIABILITIES				
Current liabilities				
Payables		**92,130**	120,932	110,343
Current tax liabilities		**3,598**	–	9,154
Derivative financial instruments		**213**	3,689	5,673
Subordinated debt – capital notes		**124,422**	–	125,230
Subordinated debt – SKYCITY ACES		**184,828**	–	–
Liabilities of discontinued operations	14	**19,797**	–	–
Total current liabilities		**424,988**	124,621	250,400
Non-current liabilities				
Interest bearing liabilities	8	**407,960**	661,580	610,180
Subordinated debt – capital notes		**–**	125,191	–
Subordinated debt – SKYCITY ACES		**–**	177,356	184,517
Deferred tax liabilities		**56,153**	34,499	48,360
Derivative financial instruments		**17,620**	54,816	34,530
Other non-current liabilities		**338**	2,972	2,547
Total non-current liabilities		**482,071**	1,056,414	880,134
Total liabilities		**907,059**	1,181,035	1,130,534
Net assets		**779,997**	459,725	742,312
EQUITY				
Share capital	9	**733,735**	482,237	733,085
Reserves	10(a)	**12,378**	(4,887)	9,036
Retained profits/(losses)	10(b)	**32,399**	(18,954)	(1,291)
Parent equity interest		**778,512**	458,396	740,830
Minority interest		**1,485**	1,329	1,482
Total equity		**779,997**	459,725	742,312

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEARS ENDED 31 DECEMBER 2008, 2009	CONTRIBUTED EQUITY $'000	RESERVES $'000	RETAINED EARNINGS $'000	MINORITY INTEREST $'000	TOTAL EQUITY $'000
Balance as at 1 July 2009	733,085	9,036	(1,291)	1,482	742,312
Total comprehensive income/(expense)	–	3,691	71,018	3	74,712
Share options/rights issued for employee services	380	–	–	–	380
Employee share entitlements issued	270	–	–	–	270
Distribution to owners	–	–	(37,328)	–	(37,328)
Movement in employee share entitlement reserve	–	(349)	–	–	(349)
Balance as at 31 December 2009 (unaudited)	**733,735**	**12,378**	**32,399**	**1,485**	**779,997**
Balance as at 1 July 2008	460,779	33,993	(24,300)	1,883	472,355
Total comprehensive income/(expense)	–	(37,484)	54,780	41	17,337
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	–	–	–	(595)	(595)
Balance as at 31 December 2008 (unaudited)	482,237	(4,887)	(18,954)	1,329	459,725

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY continued

FOR THE YEAR ENDED 30 JUNE 2009	CONTRIBUTED EQUITY $'000	RESERVES $'000	RETAINED EARNINGS $'000	MINORITY INTEREST $'000	TOTAL EQUITY $'000
Balance as at 1 July 2008	460,779	33,993	(24,300)	1,883	472,355
Total comprehensive income/(expense)	–	(23,248)	115,301	199	92,252
Share placement	223,360	–	–	–	223,360
Shares issued under Profit Distribution Plan	92,292	–	–	–	92,292
Buyback and cancellation of shares under Profit Distribution Plan	(45,511)	–	–	–	(45,511)
Share rights issued for employee services	706	–	–	–	706
Employee share entitlements issued	1,459	–	–	–	1,459
Distribution to owners	–	–	(92,292)	–	(92,292)
Movement in employee share entitlement reserve	–	(1,709)	–	–	(1,709)
Payment to minority interest	–	–	–	(600)	(600)
Balance as at 30 June 2009 (audited)	733,085	9,036	(1,291)	1,482	742,312

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 31 DECEMBER 2009	NOTES	UNAUDITED 6 MONTHS 31 DECEMBER 2009 $'000	UNAUDITED 6 MONTHS 31 DECEMBER 2008 $'000	AUDITED 12 MONTHS 30 JUNE 2009 $'000
Cash flows from operating activities				
Receipts from customers		**444,200**	413,532	836,872
Payments to suppliers and employees		**(266,073)**	(246,694)	(499,318)
		178,127	166,838	337,554
Dividends received		**1,420**	5,213	7,312
Interest received		**1,699**	2,121	764
Gaming taxes paid		**(26,612)**	(27,831)	(51,375)
Income taxes paid		**(17,560)**	(9,819)	(17,120)
Net cash inflow from operating activities	17	**137,074**	136,522	277,135
Cash flows from investing activities				
Purchase of/proceeds from property, plant and equipment		**(23,856)**	(42,142)	(98,831)
Payments for intangible assets		**(778)**	(2,477)	(4,144)
Loan repayment from Christchurch Hotels Limited		**286**	–	8,069
Payment to minority interest		**–**	(600)	(600)
Net cash (outflow) from investing activities		**(24,348)**	(45,219)	(95,506)
Cash flows from financing activities				
Share placement		**–**	–	223,360
Cash flows associated with derivatives		**(28,800)**	129,314	48,803
Repayment of borrowings		**(177,562)**	(129,000)	(129,000)
Distributions paid to company's shareholders		**(37,328)**	(29,878)	(45,511)
Interest paid		**(22,113)**	(39,167)	(65,582)
Net cash (outflows)/inflows from financing activities		**(265,803)**	(68,731)	32,070
Net (decrease)/increase in cash and cash equivalents		**(153,077)**	22,572	213,699
Cash and bank balances at the beginning of the period		**275,613**	61,914	61,914
Cash and bank balance classified as discontinued operations	14	**(4,461)**	–	–
Cash and cash equivalents at end of the period		**118,075**	84,486	275,613

The above consolidated 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 16 February 2010.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements for the interim half year reporting period ended 31 December 2009 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 Group has a negative working capital balance as the SKYCITY ACES and Capital Notes are both current liabilities as at 31 December 2009. The Group has the ability to reissue or repay both debt elements.

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 2009 and the unaudited financial statements for the six months ended 31 December 2008.

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 2009.

(a) Changes in accounting policies

There have been no significant changes in accounting policies during the current period impacting measurement. 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 separate the Cinemas discontinued operations. There is no impact on net profit.

The following new standards impacting disclosures are mandatory for the first time for the financial period commencing 1 July 2009.

NOTES TO THE FINANCIAL STATEMENTS continued

(i) NZ IAS 1 (revised), Presentation of financial statements

The revised standard prohibits the presentation of items of income and expenses (that is 'non-owner changes in equity') in the statement of changes in equity, requiring these items to be presented separately from owner changes in equity. All 'non-owner changes in equity' are required to be shown in a performance statement.

Entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income).

The Group has elected to present two statements. The interim financial statements have been prepared under the revised disclosure requirements.

(ii) NZ IFRS 8, Operating segments

NZ IFRS 8 replaces NZ IAS 14 Segment Reporting. The standard requires a management approach under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in one additional segment 'Corporate / Group' which was previously reported within 'Rest of New Zealand'.

3 REVENUE

	6 MONTHS 31 DECEMBER		12 MONTHS 30 JUNE
	2009 $'000	2008 $'000	2009 $'000
Gaming	**311,681**	298,821	604,278
Non-gaming	**85,938**	82,075	157,586
	397,619	380,896	761,864

Included within gaming revenue is revenue relating to loyalty action points of $4,865,000 (31 December 2008: $5,343,000, 30 June 2009: $10,830,000).

Included within non-gaming revenue is revenue relating to loyalty action points of $166,000 (31 December 2008: $68,000, 30 June 2009: $151,000).

4 OTHER INCOME

	6 MONTHS 31 DECEMBER		12 MONTHS 30 JUNE
	2009 $'000	2008 $'000	2009 $'000
Net gain on disposal of property, plant and equipment	**562**	398	1,213
Interest income – Christchurch Hotels Limited	**86**	590	764
Dividend income	**5**	4	4
	653	992	1,981

NOTES TO THE FINANCIAL STATEMENTS continued

5 PROFIT BEFORE INCOME TAX

	6 MONTHS 31 DECEMBER 2009 $'000	6 MONTHS 31 DECEMBER 2008 $'000	12 MONTHS 30 JUNE 2009 $'000
Profit before income tax includes the following specific expenses:			
Depreciation			
Buildings	**11,616**	8,470	19,283
Plant and equipment	**15,147**	16,114	32,771
Furniture and fittings	**3,468**	4,307	7,733
Motor vehicles	**162**	103	217
Total depreciation	**30,393**	28,994	60,004
Amortisation			
Casino licence (Adelaide)	**1,291**	1,262	2,576
Software	**1,984**	2,954	7,478
Total amortisation	**3,275**	4,216	10,054
Total depreciation and amortisation	**33,668**	33,210	70,058
Other expenses include:			
Utilities, insurance and rates	**9,766**	9,643	18,971
Community trust donations	**1,328**	1,234	2,730
Minimum lease payments relating to operating leases	**2,108**	2,217	4,681
Other property expenses	**7,793**	8,546	15,614
Other items	**25,657**	25,825	50,406
Provision for bad and doubtful debts	**286**	(3)	525
Total other expenses	**46,938**	47,462	92,927
Restructuring costs			
Redundancy and other payments	**740**	1,228	2,368
Total restructuring costs	**740**	1,228	2,368

6 FINANCE EXPENSES

	6 MONTHS 31 DECEMBER 2009 $'000	6 MONTHS 31 DECEMBER 2008 $'000	12 MONTHS 30 JUNE 2009 $'000
Finance costs			
Interest and finance charges paid/payable	**29,457**	39,905	75,116
Foreign currency (gains)/losses	**(957)**	3	(884)
Interest Income	**(1,609)**	(1,517)	(7,292)
Gain on repayment of USPP (note 8)	**(1,919)**	–	–
Net finance costs	**24,972**	38,391	66,940

7 SIGNIFICANT ASSOCIATES AND JOINT VENTURES

The Group holds a 45.7% (2008: 45.7%) interest in Christchurch Casinos Limited (30.7% direct and 15.0% indirect), and a 50% (2008: 50%) interest in Vista Entertainment Solutions Limited. The Group holds a 50% interest in the Rialto Cinemas joint venture (2008: 50%). No associate or joint venture is material to the Group. The investment in the Rialto Cinemas joint venture is included in the assets to be sold to Amalgamated Holdings Limited refer note 14.

8 NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES

	6 MONTHS 31 DECEMBER 2009 $'000	6 MONTHS 31 DECEMBER 2008 $'000	12 MONTHS 30 JUNE 2009 $'000
Unsecured			
US Private Placement	**409,499**	664,078	612,284
Syndicated bank facility	–	–	–
Deferred funding expenses	**(1,539)**	(2,498)	(2,104)
Total unsecured non-current interest bearing borrowings	**407,960**	661,580	610,180

(a) Syndicated Bank Facility

At 31 December 2009, SKYCITY had in place a $500,000,000 (31 December 2008 and 30 June 2009: $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 2009, the amount drawn on this facility was nil (31 December 2008 and 30 June 2009: nil).

8 NON-CURRENT LIABILITIES – INTEREST BEARING LIABILITIES continued

(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 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 movement in the USPP from 30 June 2009 relates to repayments and foreign exchange and interest rate movements.

In July and August 2009, the Group repurchased US$115,500,000 of USPP debt. All repurchased debt was previously maturing in March 2012. Concurrent with the debt repurchase, all cross currency interest rate swaps and interest rate swaps hedging the relevant debt were closed out.

9 SHARE CAPITAL

	6 MONTHS 31 DECEMBER		12 MONTHS 30 JUNE	6 MONTHS 31 DECEMBER		12 MONTHS 30 JUNE
	2009 SHARES	2008 SHARES	2009 SHARES	2009 $'000	2008 $'000	2009 $'000
Opening balance of ordinary shares issued	**575,114,687**	471,399,291	471,399,291	**733,085**	460,779	460,779
Shares issued under Profit Distribution Plan	–	13,721,796	30,746,809	–	49,434	92,292
Share rights issued for employee services	–	–	–	**380**	443	706
Employee share entitlements issued	**68,502**	–	296,682	**270**	1,459	1,459
Reduction in treasury shares	**(68,502)**	–	(296,682)	–	–	–
Buyback and cancellation of shares under Profit Distribution Plan	–	(8,293,603)	(14,503,726)	–	(29,878)	(45,511)
Share placement	–	–	87,472,313	–	–	223,360
	575,114,687	476,827,484	575,114,687	**733,735**	482,237	733,085

Included within the number of shares is treasury shares 834,682 (31 December 2008 and 30 June 2009: 903,184) held by the company. The movement in treasury shares during the period related to the issuance of shares under the employee 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.

10 RESERVES AND RETAINED PROFITS/(LOSSES)

	6 MONTHS 31 DECEMBER 2009 $'000	6 MONTHS 31 DECEMBER 2008 $'000	12 MONTHS 30 JUNE 2009 $'000
(a) Reserves			
Hedging reserve – cash flow hedges	**(4,001)**	(8,702)	(8,753)
Foreign currency translation reserve	**16,379**	3,153	17,440
Employee share entitlement reserve	**–**	662	349
	12,378	(4,887)	9,036
Hedging reserve – cash flow hedges			
Balance at the beginning of the period	**(8,753)**	13,258	13,258
Revaluation	**(36,994)**	74,685	14,785
Transfer to net profit	**43,783**	(106,102)	(46,592)
Deferred tax	**(2,037)**	9,457	9,796
Balance at the end of the period	**(4,001)**	(8,702)	(8,753)
Foreign currency translation reserve			
Balance at the beginning of the period	**17,440**	18,677	18,677
Exchange difference on translation of overseas subsidiaries	**(206)**	(18,568)	(5,418)
Effect of hedging the net investment of overseas subsidiaries	**(855)**	3,044	4,181
Balance at the end of the period	**16,379**	3,153	17,440
Employee share entitlement reserve			
Balance at the beginning of the period	**349**	2,058	2,058
Less value of shares issued during the period	**(270)**	(1,460)	(1,459)
Plus value of share entitlements for the period	**(79)**	64	(250)
Balance at the end of the period	**–**	662	349

10 RESERVES AND RETAINED PROFITS/(LOSSES) continued

(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 ended 30 June 2000 through 30 June 2008.

Shares under the PPI for the year ended 30 June 2007 and before were issued in three equal instalments, being one third of the shares on the bonus declaration date and, provided eligibility criteria continued to be met, one third on the next entitlement date (approximately 12 months later) and one third on the final entitlement date (approximately 24 months later). Shares under the PPI for the year ended 30 June 2008 were issued on the bonus declaration date.

From 1 July 2008 the PPI was replaced with a cash bonus scheme.

	6 MONTHS 31 DECEMBER		12 MONTHS 30 JUNE
	2009 $'000	2008 $'000	2009 $'000
(b) Retained profit/(losses)			
Movements in retained profit/(losses) were as follows:			
Balance at the beginning of the period	**(1,291)**	(24,300)	(24,300)
Net profit for the year	**71,018**	54,780	115,301
Distribution/dividends	**(37,328)**	(49,434)	(92,292)
Balance at the end of the period	**32,399**	(18,954)	(1,291)

11 DISTRIBUTIONS/DIVIDENDS

	6 MONTHS 31 DECEMBER		12 MONTHS 30 JUNE
	2009 $'000	2008 $'000	2009 $'000
Prior year's final distribution/dividend	**37,328**	49,434	49,434
Interim distribution/dividend	**–**	–	42,858
Total dividends provided for or paid	**37,328**	49,434	92,292

The Group has discontinued its previous Profit Distribution Plan.

Subsequent to balance date the Board of Directors has resolved to pay a fully-imputed interim dividend of 8.0 cents per share.

	CENTS PER SHARE 31 DECEMBER		30 JUNE
	2009	2008	2009
Prior year's final distribution/dividend	**6.5¢**	10.5¢	10.5¢
Interim distribution/dividend	**N/A**	N/A	9.0¢

12 CONTINGENCIES

There are no significant contingent liabilities or assets.

NOTES TO THE FINANCIAL STATEMENTS continued

13 COMMITMENTS

	6 MONTHS 31 DECEMBER 2009 $'000	6 MONTHS 31 DECEMBER 2008 $'000	12 MONTHS 30 JUNE 2009 $'000
(a) Capital commitments			
Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:			
Property, plant and equipment	**20,958**	22,068	13,506
(b) Operating lease commitments			
Continuing operations			
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:			
Within one year	**6,694**	18,799	17,751
Later than one year but not later than five years	**12,747**	61,129	59,635
Later than five years	**318,319**	401,039	405,654
	337,760	480,967	483,040
Discontinued operations			
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:			
Within one year	**13,639**	–	–
Later than one year but not later than five years	**45,587**	–	–
Later than five years	**83,010**	–	–
	142,236	–	–

14 DISCONTINUED OPERATIONS

(a) Description

During December 2009 the Group announced the sale of the Cinemas business (excluding New Zealand freehold land and the equity investment in Vista Entertainment Solutions Limited) to Amalgamated Holdings Limited expected to be effective 18 February 2010. The Group also announced its intention to sell the remaining excluded Cinemas assets. Accordingly the Cinemas business is reported in this financial report as a discontinued operation.

Financial information relating to the discontinued operation for the period is set out on the next page.

14 DISCONTINUED OPERATIONS continued

	6 MONTHS 31 DECEMBER 2009 $'000	6 MONTHS 31 DECEMBER 2008 $'000	12 MONTHS 30 JUNE 2009 $'000
(b) Financial performance: Cinemas			
Revenue	**45,351**	37,405	77,032
Expenses	**(43,023)**	(38,308)	(78,145)
Profit/(loss) before income tax	**2,328**	(903)	(1,113)
Income tax expense	**95**	(197)	(285)
Profit/(loss) from discontinued operations	**2,423**	(1,100)	(1,398)
(c) Carrying amounts of assets and liabilities			
The carrying amounts of Cinema assets and liabilities are:			
Cash and bank balances	**4,461**	–	–
Receivables and prepayments	**1,053**	–	–
Inventories	**516**	–	–
Property, plant and equipment	**69,558**	–	–
Intangible assets	**137**	–	–
Investment in associates	**3,821**	–	–
Total assets	**79,546**	–	–
Payables	**(19,338)**	–	–
Deferred tax liabilities	**(385)**	–	–
Current tax liabilities	**(74)**	–	–
Total liabilities	**(19,797)**	–	–
Net assets	**59,749**	–	–

15 SEGMENT INFORMATION

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

Segment information excludes discontinued operations (Cinemas).

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.

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.

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

15 SEGMENT INFORMATION continued

	SKYCITY AUCKLAND $'000	REST OF NEW ZEALAND $'000	SKYCITY ADELAIDE $'000	SKYCITY DARWIN $'000	INTER-NATIONAL BUSINESS $'000	CORP-ORATE / GROUP $'000	TOTAL $'000
Half year ended 31 December 2009							
Revenue from external customers	202,777	23,656	83,727	75,404	12,708	–	398,272
Share of net profit of associates	–	3,352	–	–	–	–	3,352
Total segment revenue	202,777	27,008	83,727	75,404	12,708	–	401,624
Segment profit/(loss) (Earnings before Interest and Tax)	83,405	11,229	13,938	23,632	5,302	(17,684)	119,822
Finance costs – net							(24,972)
Profit before income tax							94,850
Income tax expense							(26,252)
Profit before minority interest and discontinued operations							68,598
Half year ended 31 December 2008							
Revenue from external customers	202,894	24,182	77,708	69,483	7,621	–	381,888
Share of net profit of associates	–	2,818	–	–	–	–	2,818
Total segment revenue	202,894	27,000	77,708	69,483	7,621	–	384,706
Segment profit/(loss) (Earnings before Interest and Tax)	84,804	10,020	11,942	22,179	854	(16,894)	112,905
Finance costs – net							(38,391)
Profit before income tax							74,514
Income tax expense							(18,593)
Profit before minority interest and discontinued operations							55,921

15 SEGMENT INFORMATION continued

	SKYCITY AUCKLAND $'000	REST OF NEW ZEALAND $'000	SKYCITY ADELAIDE $'000	SKYCITY DARWIN $'000	INTER-NATIONAL BUSINESS $'000	CORP-ORATE / GROUP $'000	TOTAL $'000
Year ended 30 June 2009							
Revenue from external customers	404,619	46,618	160,510	134,060	17,556	482	763,845
Share of net profit of associates	–	5,653	–	–	–	–	5,653
Total segment revenue	404,619	52,271	160,510	134,060	17,556	482	769,498
Segment profit/(loss) (Earnings before Interest and Tax)	172,439	20,284	25,337	38,466	2,446	(35,491)	223,481
Finance costs – net							(66,940)
Profit before income tax							156,541
Income tax expense							(39,643)
Profit before minority interest and discontinued operations							116,898

16 EVENTS OCCURRING AFTER THE BALANCE DATE

(a) Dividend

On 16 February 2010, the directors resolved to provide for an interim dividend to be paid in respect of the six months ended 31 December 2009. The fully-imputed dividend of 8.0 cents per share will be paid on 1 April 2010 to all shareholders on the company's register at the close of business on 19 March 2010.

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

	6 MONTHS 31 DECEMBER		12 MONTHS 30 JUNE
	2009 $'000	2008 $'000	2009 $'000
Profit for the period	**71,018**	54,780	115,301
Minority interest	**3**	41	199
Depreciation and amortisation	**37,777**	36,855	77,727
Interest expense	**26,700**	39,634	67,351
Current period employee share entitlement	**(79)**	63	(250)
Current period share rights expense	**380**	443	706
Gain on sale of property, plant and equipment	**(562)**	(401)	(1,215)
Share of profits of associates not received as dividends or distributions	**(2,445)**	1,720	393
Change in operating assets and liabilities			
Decrease/(increase) in receivables and prepayments	**3,084**	(4,085)	7,327
(Increase)/decrease in inventories	**(163)**	(1,001)	(718)
(Decrease)/increase in payables and accruals	**(18,213)**	2,660	(8,778)
Increase/(decrease) in deferred tax liability	**7,796**	(31,684)	(17,823)
Decrease/(increase) in net tax receivable	**354**	31,198	30,835
(Decrease)/increase in other non-current liabilities	**(2,209)**	(424)	–
Working capital items classified as discontinued	**18,228**	–	–
Capital items included in working capital movements	**(4,595)**	6,723	6,080
Net cash inflow from operating activities	**137,074**	136,522	277,135

DIRECTORY

REGISTERED OFFICE

SKYCITY Entertainment Group Limited
Level 6
Federal House
86 Federal Street
PO Box 6443, Wellesley Street
Auckland, New Zealand
Telephone +64 9 363 6000
Facsimile +64 9 363 6140
Email sceginfo@skycity.co.nz
www.skycityentertainmentgroup.com

Registered Office in Australia
c/o Finlaysons
81 Flinders Street
GPO Box 1244, Adelaide
South Australia
Telephone +61 8 8235 7400
Facsimile +61 8 8232 2944

SOLICITORS

Bell Gully
HP Tower
171 Featherston Street
PO Box 1291, Wellington

Minter Ellison Rudd Watts
Lumley Centre
88 Shortland Street
PO Box 3798, Auckland

Russell McVeagh
Vero Centre
48 Shortland Street
PO Box 8, Auckland

Finlaysons
81 Flinders Street
GPO Box 1244, Adelaide
South Australia

AUDITOR

PricewaterhouseCoopers
188 Quay Street
Auckland City
Private Bag 92162
Auckland

SHARE REGISTRARS

New Zealand
Computershare Investor Services Limited
Level 2
159 Hurstmere Road
Takapuna
Private Bag 92119
Auckland
Telephone +64 9 488 8700
Facsimile +64 9 488 8787

Australia
Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000
GPO Box 7045, Sydney NSW 2001
Telephone +61 2 8234 5000
Facsimile +61 2 8235 8150

BANKERS

ANZ National Bank
Commonwealth Bank of Australia
Bank of New Zealand

CAPITAL NOTES TRUSTEE

The New Zealand Guardian Trust Company Limited
Vero Centre
48 Shortland Street
PO Box 1934, Auckland
Telephone +64 9 377 7300
Facsimile +64 9 377 7470

SKYCITY ACES TRUSTEE

Trust Company Fiduciary Services Limited
Level 4
35 Clarence Street
Sydney NSW 2000
Australia
Telephone +61 2 8295 8100
Facsimile +61 2 8295 8659

SKYCITY
ENTERTAINMENT GROUP

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www.skycityentertainmentgroup.com