NATIONAL LEISURE & GAMING LIMITED AND CONTROLLED ENTITIES

ABN: 13 113 373 461

CONSOLIDATED INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
28 DECEMBER 2008

This half-year financial report is to be read in conjunction with the financial report for the year ended 30 June 2008.

NATIONAL LEISURE & GAMING LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED INTERIM FINANCIAL REPORT
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APPENDIX 4D

The following information is provided in accordance with ASX Listing Rule 4.2A.3.

Entity: National Leisure & Gaming Limited
ABN: 13 113 373 461

1. Reporting period

Report for the half-year from 1 July 2008 to 28 December 2008.

Previous corresponding period:
the financial period: from 1 July 2007 to 30 June 2008
and half-year period: from 1 July 2007 to 31 December 2007

2. Results for announcement to the market

			Half-year ending 28 December 2008		
			%		$m
2.1	Revenue from ordinary activities	Decrease of	(0.49)	to	102.2
2.2	Net Loss from ordinary activities after tax for the period attributable to members	Decrease of	(96.01)	to	8.5
2.3	Net Loss for the period attributable to members	Decrease of	(96.01)	to	8.5
2.4	It is not proposed to pay dividends				
2.5	Brief explanation of figures 2.1 to 2.4	Refer to review of operations in Directors' Report attached.			

3. Net tangible assets

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	(34.14)c	(51.7)c
Net asset backing per ordinary security	3.94c	36.7c

4. Independent review of the financial report

The financial report has been independently reviewed. Whilst the financial report is not subject to a qualified independent review report, the auditor has drawn attention to the matter stated in Note 1 (e) to the financial statements – Going Concern.

DIRECTORS' REPORT

HALF-YEAR ENDING 28 DECEMBER 2008

The directors present their report together with the condensed financial report of the consolidated entity consisting of National Leisure & Gaming Limited and the entities it controlled (NLG), for the half-year ended 28 December 2008 and independent review report thereon. This financial report has been prepared in accordance with Australian equivalents of International Financial Reporting Standards.

Directors

The names of the director in office at any time during or since the end of the half-year are:

Peter Dransfield	Independent Non-Executive Chairman
Andrew Jolliffe	Chief Executive Officer and Managing Director
David Greek	Non-Executive Director
Craig Laundy	Non-Executive Director

The directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Review of Operations

The consolidated loss of the Group for the period ended 28 December 2008 amounted to $8,455,000.

NLG operated 38 hotels as at 28 December 2008.

NLG's 1st half year 2009 financial results were affected by a number of issues, including but not limited to:

- **an increase in lease expenses; approximately 2.4%**
- **a decrease in gross employee costs; approximately 10.6%**
- **an increase in finance cost; approximately 20.26%**
- **an increase in depreciation costs; 26.49%**

Future Developments

In September 2008 NLG advised that its trading outlook for FY2009 forecasts total revenues of approximately $205m (FY2008 $199.8m); of which $88m is forecast to come from consolidated gaming revenues (FY2008 $81.4m). By way of update NLG advises that it is confident of achieving these revenue levels having regard to YTD trading performance and assuming a continuation in current market conditions, and subject to completing the Bank of New Zealand Australia (a business division of National Australia Bank Limited) (BNZA/NAB) fully approved and funded ($4m) capital works programs to approximately 5 New South Wales (NSW) and Queensland (QLD) hotels; and an additional BNZA/NAB fully approved and funded ($1m) capital works program designed to deliver compliance with legislation in NSW pertaining to designated outdoor smoking areas (DOSA's).

NLG's 1st half year 2009 trading performance to date has been pleasing by comparison to forecast.

NLG's gaming industry pub rankings have continued to improve, with the Office of Liquor, Gaming and Racing's (OLGR) Top 200 NSW list for the December 2008 quarter released this month showing the following:

- Of NLG's 30 NSW pubs, 19 ranked in the Top 200 (the largest number of any NSW pubs group and an increase of 2 hotels from the 17 which were ranked in the Top 200 in the September 2008 quarter results)
- Of the 19, 11 moved up in the rankings on a year on year basis (Dec quarter 08 versus Dec quarter 07)
- NLG had 2 pubs in the top 5 (El Cortez at number 3 and Eastwood number 5).

Whilst trading results in the quarter ended December 2008 were below expectations in some areas, NLG is pleased to report strong year on year gaming performance for the first half of FY2009, with gaming revenue 12% up on the FY2008 first half (on a same pub basis). Gaming net income for the same period was 11% higher than the corresponding period in FY2008.

Debt Facilities

NLG confirms that it continues to enjoy the valued support of its senior and mezzanine lenders, the BNZA/NAB and TW Hedley (Qld) Pty Ltd as trustee for Tom Hedley Family Trust (TW Hedley), respectively.

Accordingly NLG is pleased to advise that on 26 February 2009, BNZA/NAB has extended the senior debt facility for a period of 12 months to 31 July 2010, in addition to providing the abovementioned and very important capital works facility.

Further, NLG is also pleased to advise that on 25 February 2009, TW Hedley also agreed to extend the current mezzanine debt facility for a period of 17 months to 31 July 2010; in line with the BNZA/NAB facility extension. This loan provided by TW Hedley is secured by a second ranking registered debenture charge from NLG Operations Ltd. Based on the recent mezzanine facility extension the loan is due to expire on 31 July 2010 and is repayable at that date or, subject to the approval of shareholders and in accordance with the constitution of NLG, the requirements of the Corporations Act and ASX Listing Rules, 30 days prior to 31 July 2010 the lender may issue a notice to NLG requiring that the loan be converted into shares at a 5% discount to the volume weighted price of the shares on the ASX for the period of 20 trading days prior to termination.

NLG confirms that it is currently trading within all debt covenants specified in the senior and mezzanine debt facility.

Subsequent Events

New Business Initiative

NLG advises that it has been engaged to provide management and consulting services to the Hedz Group of pubs. The Hedz Group operates a total of 12 pubs in NSW, QLD and SA, and is privately owned by Tom Hedley interests.

This will be a fee for service arrangement, focusing on improving operating and financial performance and will initially extend to cover the NSW portion of the Hedz pubs, with a view to roll out further Hedz pubs under NLG management over the remainder of the year.

Strategic Initiatives

The NLG Board and senior management continue to examine potential restructuring and strategic options, in addition to the previously announced potential divestment of a small number of non-strategic assets.

In addition, during the half year, management identified and has since implemented a number of cost reduction initiatives, largely in the human resources area.

Except for the above agreement between Hedz Hotel and NLG in relation to the management of Hedz hotel assets, no other matters or circumstances have arisen since the end of the financial half year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations or the state of affairs of the consolidated group in future financial years.

Auditor's Independence Declaration

A copy of the auditor's independence declaration in relation to the review for the half-year is provided with this report.

Rounding of amounts to nearest thousand dollars

The amounts contained in the report and in the financial report have been rounded to the nearest thousand dollars (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors:

Peter Dransfield	Andrew Jolliffe
Chairman	CEO & Managing Director

Dated this 27th day of February 2009

PITCHER PARTNERS

AUDITOR'S INDEPENDENCE DECLARATION
To the Directors of National Leisure & Gaming Limited

In relation to the half-year independent auditor's review for the half-year to 28 December 2008, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*.

(ii) No contraventions of any applicable code of professional conduct.

M W PRINGLE	PITCHER PARTNERS
Partner	Melbourne
27 February 2009	

CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 28 DECEMBER 2008

	Half-year	
	2008	2007
	$'000	$'000
Revenue		
Sales revenue	100,079	100,732
Interest revenue	36	175
Other income	2,151	1,864
	102,266	102,771
Cost of sales	(47,670)	(47,887)
Employee benefits	(14,860)	(16,624)
Depreciation and amortisation	(3,911)	(3,092)
Lease expenses	(19,561)	(19,103)
Finance costs	(9,855)	(8,195)
Other expenses	(14,864)	(14,249)
Loss before income tax	(8,455)	(6,379)
Income tax benefit	-	2,070
Loss attributable to the members of the parent	(8,455)	(4,309)
Basic loss per share	(1.71)	(1.36)
Diluted loss per share	(1.49)	(1.36)

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 28 DECEMBER 2008

	28 Dec 2008 $'000	30 June 2008 $'000
CURRENT ASSETS		
Cash and cash equivalents	1,053	5,859
Trade receivables	504	355
Inventories	4,831	3,527
Other financial assets	426	436
Other current assets	2,751	1,627
TOTAL CURRENT ASSETS	9,565	11,804
NON-CURRENT ASSETS		
Plant and equipment	39,207	41,557
Intangible assets	188,567	190,475
TOTAL NON-CURRENT ASSETS	227,774	232,032
TOTAL ASSETS	237,339	243,836
CURRENT LIABILITIES		
Trade and other payables	24,696	19,513
Short-term borrowings	17,689	16,533
Short-term provisions	729	696
TOTAL CURRENT LIABILITIES	43,114	36,742
NON-CURRENT LIABILITIES		
Long-term borrowings	174,600	176,673
Long-term provisions	109	109
TOTAL NON-CURRENT LIABILITIES	174,709	176,782
TOTAL LIABILITIES	217,823	213,524
NET ASSETS	19,516	30,312
EQUITY		
Share capital	149,500	149,500
Cashflow hedge reserve	(2,341)	-
Retained earnings	(127,643)	(119,188)
TOTAL EQUITY	19,516	30,312

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 28 DECEMBER 2008

	Half-year	
	2008	**2007**
	$'000	**$'000**
TOTAL EQUITY AT THE BEGINNING OF THE HALF-YEAR	30,312	105,284
Loss for the half-year	(8,455)	(4,309)
Attributable to:		
Members of the parent	(8,455)	(4,309)
Transactions with equity holders in their capacity as equity holders:		
Issued as consideration to vendors	-	16,633
Cashflow hedge reserve	(2,341)	-
TOTAL EQUITY AT THE END OF THE HALF-YEAR	19,516	117,608

The accompanying notes form part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE HALF YEAR ENDED 28 DECEMBER 2008

	Half-year	
	2008	2007
	$'000	$'000
CASH FLOW FROM OPERATING ACTIVITIES		
Receipts from customers	102,405	110,071
Payments to suppliers and employees	(97,859)	(103,250)
Interest received	36	175
Borrowing costs	(7,248)	(7,958)
Net cash used in operating activities	(2,666)	(962)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sale of plant and equipment	2,271	-
Payment for plant and equipment	(1,935)	(7,250)
Payment for Business Combinations	(73)	(77,664)
Net cash provided by / (used in) investing activities	263	(84,914)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from borrowings	-	126,190
Repayment of borrowings	(2,400)	(45,386)
Net cash provided by / (used in) financing activities	(2,400)	80,804
Net decrease in cash and cash equivalents	(4,803)	(5,072)
Cash and cash equivalents at beginning of half-year	5,856	14,303
Cash and cash equivalents at end of the half-year	1,053	9,231

The accompanying notes form part of these financial statements.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS 28 DECEMBER 2008

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This half-year financial report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2008 and any public announcements made by National Leisure and Gaming Limited during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

The half-year financial report was authorised for issue by the directors as at 27 February 2009.

(a) Basis of preparation of the half-year financial report

This general purpose half year financial report has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The half year financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

(b) Summary of the significant accounting policies:

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2008.

(c) Principles of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities, which National Leisure and Gaming Limited controlled from time to time during the year and at balance date.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist. All inter-company balances and transactions, including any unrealised loss or losses have been eliminated on consolidation.

(d) Rounding Amounts

The company is of a kind referred to in ASIC Class Order CO 98/0100 and in accordance with that Class Order, amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(e) Going Concern

The financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. The Group incurred a loss from trading activities of $8.5 million for the half year with total borrowings of $192.3 million and net assets of $19.5 million as at 28 December 2008.

The Directors recognise that debt levels remain the key risk to the Group. The Directors have again been successful in renewing senior finance facilities to 31 July 2010 and extending the loan with TW Hedley to 31 July 2010. Furthermore, the Group has entered into a number of strategic supply agreements and is in the process of rolling out its previously announced CAPEX program, both of which are designed to improve trading conditions. Accordingly, the Directors have prepared the financial report on a going concern basis.

Should the Group not achieve improved trading results or continue to have the support of its financiers or be able to obtain sufficient alternate funding, should this be required, there is significant uncertainty whether it will be able to continue as a going concern, and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements. If the going concern basis is found to no longer be appropriate the recoverable amounts of the assets shown in the Balance Sheet are likely to be significantly less than the amounts disclosed and the extent of liabilities may differ from those in the Balance Sheet.

NOTE 2: SUBSEQUENT EVENTS

NLG advises that it has been engaged to provide management and consulting services to the Hedz Group of pubs. The Hedz Group operates a total of 12 pubs in NSW, QLD and SA, and is privately owned by Tom Hedley interests.

This will be a fee for service arrangement, focusing on improving operating and financial performance and will initially extend to cover the NSW portion of the Hedz pubs, with a view to roll out further Hedz pubs under NLG management over the remainder of the year.

Strategic Initiatives

The NLG Board and senior management continue to examine potential restructuring and strategic options, in addition to the previously announced potential divestment of a small number of non-strategic assets.

In addition, during the half year, management identified and has since implemented a number of cost reduction initiatives, largely in the human resources area.

Except for the above agreement between Hedz Hotel and NLG in relation to the management of Hedz hotel assets, no other matters or circumstances have arisen since the end of the financial half year which significantly affected or may significantly affect the operations of the consolidated group, the results of those operations or the state of affairs of the consolidated group in future financial years.

NOTE 3: PLANT AND EQUIPMENT

	28 Dec 2008 $'000	30 June 2008 $'000
Leasehold Improvements at cost	8,122	7,057
Accumulated Depreciation	(364)	(257)
	7,758	6,800
Plant & Equipment at cost	47,695	47,331
Accumulated Depreciation	(16,246)	(12,574)
	31,449	34,757
Total Plant & Equipment at cost	55,817	54,388
Accumulated Depreciation	(16,610)	(12,831)
TOTAL PLANT & EQUIPMENT	39,207	41,557

Acquisitions and disposals

On 27 May 2008, the Group entered a contract for sale in relation to Finnians Irish Tavern for $2.4m. The contract settled on 14 July 2008. The carrying value of Finnians Irish Tavern as at 14 July 2008 was $363,634 P&E and $1,907,000 Goodwill.

NOTE 4: CONTINGENT LIABILITIES

There have been no changes in contingent liabilities since 30 June 2008.

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 8 to 14 in accordance with the *Corporations Act 2001*:

(a) Comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the *Corporations Regulations 2001*, and

(b) Give a true and fair view of the financial position of the consolidated entity as at 28 December 2008 and of its performance as represented by the results of its operations and its cash flows, for the half-year ended on that date.

In the directors' opinion there are reasonable grounds to believe that National Leisure & Gaming Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

Peter Dransfield
Chairman

Andrew Jolliffe
CEO & Managing Director

Sydney
27 February 2009

PITCHER PARTNERS

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF NATIONAL LEISURE AND GAMING LIMITED

We have reviewed the accompanying half-year financial report of National Leisure and Gaming Limited and controlled entities, which comprises the condensed consolidated balance sheet as at 28 December 2008, and the condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of National Leisure and Gaming Limited are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 28 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of National Leisure and Gaming Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of National Leisure and Gaming Limited and controlled entities is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 28 December 2008 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Inherent Uncertainty regarding Going Concern

Without qualification to the conclusion expressed above, attention is drawn to the following matters described in Note 1(e) to the half-year financial report – Going Concern.

The Group incurred a loss from trading activities of $8.5 million for the half-year with total borrowings of $192.3 million and net assets of $19.5 million as at 28 December 2008.

The Directors have again renewed senior finance facilities to 31 July 2010 and extending the loan with TW Hedley to 31 July 2010. Furthermore, the Group has entered into a number of strategic supply agreements and is in the process of rolling out its previously announced capital expenditure program, both of which are designed to improve trading conditions. Accordingly, the Directors have prepared the financial report on a going concern basis.

Should the Group not achieve improved trading results or continue to have the support of its financiers or be able to obtain sufficient alternate funding, should this be required, there is significant uncertainty whether it will be able to continue as a going concern, and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial statements. If the going concern basis is found to no longer be appropriate the recoverable amounts of the assets shown in the Balance Sheet are likely to be significantly less than the amounts disclosed and the extent of liabilities may differ from those in the Balance Sheet.

M W PRINGLE
Partner
27 February 2009

PITCHER PARTNERS
Melbourne