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**NATIONAL LEISURE & GAMING LIMITED
AND CONTROLLED ENTITIES**

ABN: 13 113 373 461

Appendix 4E

For the year ended 30 June 2010

Appendix 4E Preliminary Final Report

Name of entity

National Leisure & Gaming Limited and Controlled Entities
--

ABN or equivalent company reference: 13 113 373 461
--

1. Reporting period

Report for the financial year ended	30 June 2010
Previous corresponding period is the financial year ended	30 June 2009

2. Results for announcement to the market

2.1 Revenues from ordinary activities	Down	6.26%	to	\$180,061,000
2.2 Loss from ordinary activities after tax attributable to members	Down	47.20%	to	(\$3,818,000)
2.3 Loss for the period attributable to members	Down	47.20%	to	(\$3,818,000)
2.4 Dividends	Amount per security	Franked amount per security		
Interim dividend	0¢	0¢		
Final dividend	0¢	0¢		
2.5 Record date for determining entitlements to the dividend	N/A			
2.6 Brief explanation of any of the figures reported above necessary to enable the figures to be understood				
Refer to announcement attached.				

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3. Statement of comprehensive income with notes

Refer to the attached statement.

4. Statement of financial position with notes

Refer to the attached statement.

5. Statement of Cash Flows with notes

Refer to the attached statement.

6. Individual and Total Dividends

NLG has not declared or paid any dividends during the financial period.

7. Details of dividend or distribution reinvestment plans in operation are described below:

NLG does not currently have a dividend reinvestment plan and therefore the last date for election is not applicable.

8 Statement of accumulated losses

	Consolidated Entity	
	2010	2009
	\$'000	\$'000
Balance at the beginning of year	(126,419)	(119,188)
Net loss attributable to members of the parent entity	(3,818)	(7,231)
Total available for appropriation	(130,237)	(126,419)
Dividends paid	-	-
Balance at end of year	<u>(130,237)</u>	<u>(126,419)</u>

9 Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	-26.32¢	-30.30¢
Net asset backing per ordinary security	3.90¢	4.59¢

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10. Details of entities over which control has been gained or lost during the period:

Control of entities: Not Applicable.

Loss of control of entities: Not Applicable.

11. Details of associates and joint venture entities

Not Applicable.

12. Other significant information relating to the entity's financial performance and financial position.

Please refer to the attached announcement.

13. Accounting standards used (foreign entities)

Not Applicable.

14. Commentary on the results for the period

Please refer to the attached announcement.

15. Basis of preparation of Preliminary Final Report

The financial information provided in the Appendix 4E is based on the preliminary financial report (attached), which has been prepared in accordance with Australian accounting standards.

16. Audit

The Financial Report is in the process of being audited.

The Financial Report is not likely to be the subject of audit dispute or qualification.

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NATIONAL LEISURE & GAMING LIMITED

ABN: 13 113 373 461

AND CONTROLLED ENTITIES

PRELIMINARY FINANCIAL REPORT

For the year ended 30 JUNE 2010

Preliminary Financial Report – Year Ended 30 June 2010

Directors

Peter Dransfield, Chairman
Andrew Jolliffe, Chief Executive Officer and Managing Director (resigned 30 June 2010). Appointed Non-Executive Director on 30 June 2010
David Greek, Non – Executive Director
Craig Laundry, Non – Executive Director

Secretary

Sarah Prince

Australian Business Number

13 113 373 461

Registered Office

315 Penshurst Street
Willoughby North NSW 2068

Telephone:

(02) 9417 1233

Facsimile:

(02) 9417 8366

Share Registry

Computershare Investor Services Pty Ltd
GPO Box 52

Melbourne Victoria 8060

Telephone:

1800 240 382 (Toll Free)

Yarra Falls

452 Johnson Street

Abbotsford Victoria 3067

Auditors

PKF Chartered Accountants
Level 10, 1 Margaret Street
SYDNEY NSW 2000

Stock Exchange Listing

National Leisure & Gaming Limited shares are listed on the Australian Securities Exchange.

Bankers

National Australia Bank
Level 4, 320 Collins Street
Melbourne VIC 3000

Lawyer

Lands Legal
Level 8, 131 York Street
Sydney NSW 2000

Review of Operations

FINANCIAL YEAR 2010

The consolidated loss of the Group for the year ended 30 June 2010 after providing for income tax expense amounted to \$3,818,000 (2009: loss \$7,231,000).

As at 30 June 2009 NLG operated 36 hotels. During the year ending 30 June 2010 NLG divested one hotel:

Wynnum Point Hotel – Brisbane, Qld

As at 30 June 2010 NLG operated 35 hotels.

NLG's **financial year 2010** results were affected by a number of issues, including:

- **\$25m Impairment Write-Down:** Notwithstanding a goodwill write-down in the financial year 2009 accounts, a further \$25m impairment (to the goodwill paid on acquisition of the pub portfolio and plant and equipment paid at 3 venues) was provided for due to a combination of (i) increases in NSW gaming taxes from July 2010 and (ii) a measureable contraction in household discretionary spending during financial year 2010.
- **Divestiture of One Non-Core Asset:** In financial year 2010, NLG successfully divested one non-core hotel assets; Wynnum Point Hotel, Brisbane.
- **Re-Structuring of Senior Debt Facility:** Effective 30 June 2010, NLG agreed a re-structuring of its debt facility with its sole lender the National Australia Bank. The form of this re-structuring included the creation of three new debt tranches, as well as a forgiveness of debt totalling \$29,270,611 and interest and fees payable totalling \$12,065,947. The discharge of this portion of senior debt, interest and fees resulted in NLG realising a material profit adjustment of \$41,336,558 in the financial year 2010 accounts.

Future Developments

Notwithstanding one hotel divestment and no acquisitions during financial year 2010, NLG's trading outlook for **financial year 2011** forecasts total revenues of approximately \$193m (financial year 2009 \$180m adjusted for divested assets) of which consolidated gaming revenue is forecast to constitute \$90m (financial year 2009 \$84.5m adjusted for divested assets). Given the continued impact of the general economic environment on trading performance during financial year 2010, it is difficult to comment with certainty on the expected trading results for financial year 2011. Having regard to the year to date trading performance, however, and assuming and gradual improvement in trading conditions, NLG management is confident of achieving these forecasts.

Debt Facilities

NLG confirms that it continues to enjoy the valued support of its senior lender, the BNZA/NAB.

As announced on 1 July 2009, the BNZA/NAB further extended the senior debt facility for a period of 12 months from 31 July 2010 to 31 July 2011.

Strategic Initiatives

The NLG Board together with senior management continue with the previously announced program of examining potential restructuring and strategic options to address the Company's longer term capital sustainability.

The Company is also continuing to explore the potential for the divestment of additional non-core hotel assets.

Subsequent Events

No other matters or circumstances have arisen since the end of the financial 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.

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NATIONAL LEISURE & GAMING LIMITED AND CONTROLLED ENTITIES
Consolidated Statement of Comprehensive Income for the year ended 30 June 2010

	Notes	30-Jun-10 \$'000	30-Jun-09 \$'000
Revenue from continuing operations	3	180,061	192,085
Raw materials and consumables used	4	(82,511)	(88,943)
Interest revenue	3	35	36
Other income	3	1,646	2,365
Gain on loan forgiven	3	29,271	17,633
Gain on Interest forgiven	3	10,729	-
Gain/(Loss) on sale of leasehold venues	3	(968)	4,722
Business operating expenses	4	(29,774)	(30,279)
Employee benefits expense	4	(28,620)	(28,980)
Depreciation and amortisation expense	4	(8,057)	(7,919)
Operating lease expenses	4	(39,222)	(39,857)
Impairment of non-current assets	4	(25,553)	(9,629)
Share based payments expense		(50)	-
Finance costs	4	(10,938)	(18,465)
Gain / (loss) on derivatives designated at fair value through profit and loss		133	-
Profit / (Loss) Before Income Tax		(3,818)	(7,231)
Income tax expense		-	-
Loss for the year attributed to members of the parent entity		(3,818)	(7,231)
Other Comprehensive Income			
Gain / (loss) on cashflow hedge taken to equity		362	(362)
Other comprehensive income for the year, net of tax		362	(362)
Total comprehensive income for the year		(3,456)	(7,593)
Earnings / (Losses) Per Share:			
Basic (cents per share)		(0.77)	(1.46)
Diluted (cents per share)		(0.77)	(1.46)

Notes to the financial statements are included on pages 9 to 17

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NATIONAL LEISURE & GAMING LIMITED AND CONTROLLED ENTITIES
Consolidated Statement of Financial Position as at 30 June 2010

	Notes	30-Jun10 \$'000	30-Jun-09 \$'000
Current Assets			
Cash and cash equivalents	17(b)	3,082	12,429
Trade and other receivables	6	249	277
Inventories	7	3,139	3,435
Other financial assets	8	133	-
Other current assets	9	2,635	1,608
TOTAL CURRENT ASSETS		9,238	17,749
Non-Current Assets			
Plant and equipment	10	31,198	37,275
Intangible assets	11	149,652	172,768
TOTAL NON-CURRENT ASSETS		180,850	210,043
TOTAL ASSETS		190,088	227,792
Current Liabilities			
Trade payables	12	6,651	8,450
Other Payables	12	9,345	12,978
Current provisions	14	891	819
Other financial liabilities	13	-	362
TOTAL CURRENT LIABILITIES		16,887	22,609
Non-Current Liabilities			
Other Payables		519	-
Long-Term Borrowings	15	153,216	182,382
Long-Term provisions	14	153	82
TOTAL NON-CURRENT LIABILITIES		153,888	182,464
TOTAL LIABILITIES		170,775	205,073
NET ASSETS		19,313	22,719
Equity			
Contributed equity	16	149,500	149,500
Reserves		50	-
Cash flow hedge reserve		-	(362)
Accumulated losses		(130,237)	(126,419)
TOTAL EQUITY		19,313	22,719

Notes to the financial statements are included on pages 9 to 17

NATIONAL LEISURE & GAMING LIMITED AND CONTROLLED ENTITIES
Consolidated Statement of Changes in Equity for the year ended 30 June 2010

	Contributed Equity \$'000	Reserves \$'000	Accumulated Losses \$'000	Total \$'000
Balance at 1 July 2008	149,500	-	(119,188)	30,312
Loss for the year	-	-	(7,231)	(7,231)
Other comprehensive income				
Changes in the fair value of cashflow hedge	-	(362)	-	(362)
Total comprehensive income for the year	-	(362)	(7,231)	(7,593)
Transactions with owners in their capacity as owners	-	-	-	-
Balance at 30 June 2009	149,500	(362)	(126,419)	22,719
Balance at 1 July 2009	149,500	(362)	(126,419)	22,719
Loss for the year	-	-	(3,818)	(3,818)
Other comprehensive income				
Changes in the fair value of cashflow hedge	-	362	-	362
Total comprehensive income for the year	-	362	(3,818)	(3,456)
Transactions with owners in their capacity as owners				
Share based payments expense	-	50	-	50
Balance at 30 June 2010	149,500	50	(130,237)	19,313

Notes to the financial statements are included on pages 9 to 17.

NATIONAL LEISURE & GAMING LIMITED AND CONTROLLED ENTITIES
Consolidated Statement of Cash Flows for the year ended 30 June 2010

		Notes	
		30-Jun-10	30-Jun-09
		\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of goods and services tax)		197,367	213,944
Payments to suppliers and employees (inclusive of goods and services tax)		(196,866)	(209,699)
Interest received		35	36
Finance costs paid		<u>(5,622)</u>	<u>(11,773)</u>
Net cash used in operating activities	17(a)	<u>(5,086)</u>	<u>(7,492)</u>
 CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for Plant and equipment		(4,261)	(5,465)
Proceeds from sale of leasehold venues		<u>-</u>	<u>14,930</u>
Net cash (used in) / provided by investing activities		<u>(4,261)</u>	<u>9,465</u>
 CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings		-	8,000
Repayment of Borrowings		<u>-</u>	<u>(3,400)</u>
Net cash provided by financing activities		<u>-</u>	<u>4,600</u>
Net increase / (decrease) in cash and cash equivalents		(9,347)	6,573
Cash and cash equivalents at beginning of period		<u>12,429</u>	<u>5,856</u>
Cash and cash equivalents at end of the period	17(b)	<u>3,082</u>	<u>12,429</u>

Notes to the financial statements are included on pages 9 to 17

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NATIONAL LEISURE & GAMING LIMITED AND CONTROLLED ENTITIES
Notes to the consolidated financial statements

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

This preliminary financial report has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The preliminary financial report does 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 and any public announcements made by the company during the year in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

(a) New accounting standards

The following new standards, amendments to standards and interpretations have been adopted in the current period and have affected the disclosures in this preliminary financial report:

From 1 July 2009, the group has adopted AASB 101 (revised) *Presentation of Financial Statements* which is mandatory for annual reporting periods beginning on or after 1 January 2009. The adoption of this standard has impacted the presentation of the financial statements through the replacement of the income statement, balance sheet and cash flow statement with the statement of comprehensive income, a statement of financial position and a statement of cash flows.

The group has also applied AASB 8 *Operating Segments* from 1 July 2009. AASB 8 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 no change to the reporting segments reported under the previous standard.

(b) 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 generated a loss from continuing activities of \$3.8 million (2009: \$7.2 million) for the year and had total borrowings of \$153.2 million (2009: \$182.4 million), net current liabilities of \$7.6 million (2009: \$4.9 million) and net assets of \$19.3 million as at 30 June 2010 (2009: \$22.7 million).

These conditions indicate the existence of a significant uncertainty about the Group's ability to continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the ordinary course of business and at the amounts stated in the Financial Report.

Management has forecast future cash flows incorporating:

- maintenance and growth in revenues from existing core hotel assets;
- the effects of operational measures designed to improve trading conditions.

In relation to the above, the Group has entered into a number of strategic supply agreements and is continuing to roll out its strategic CAPEX program, both of which are designed to improve trading conditions. The NLG Board together with senior management continue with the previously announced program of examining potential restructuring and strategic options to address the Group's longer term capital sustainability. This includes continuing to explore the potential for the divestment of additional non-core hotel assets.

The on going viability of the Group and the recoverability of their non-current assets is dependent on the success in generating positive cash flows through the measures noted above and managing the Group's debt levels which the Directors recognise remain the key risk to the Group. The Directors have been successful in finalising an agreement with National Australia Bank Limited (NAB), where NAB has forgiven \$40 million of NLG debt and deferred interest payments.

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

NATIONAL LEISURE & GAMING LIMITED AND CONTROLLED ENTITIES
Notes to the consolidated financial statements

(b) Going concern (continued)

the financial statements. If the going concern basis is found to no longer be appropriate the recoverable amounts of the assets shown in the Statement of Financial Position are likely to be significantly less than the amounts disclosed and the extent of liabilities may differ from those in the Statement of Financial Position.

NOTE 2: PRIOR PERIOD ADJUSTMENT

The Group makes certain estimates and assumptions concerning the future, which, by definition, will seldom represent actual results. These estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that may have a financial impact on the consolidated entity and that are believed to be reasonable under the circumstances.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units (CGU) to which goodwill has been allocated. The value in use calculation requires the consolidated entity to estimate the future cashflows expected to arise from the CGU and a suitable discount rate to calculate present value.

In the financial period ended 30 June 2009, the discount rate applied to the cash flow projections was the Group's pre-tax weighted average cost of capital (WACC). At the time the Directors strongly believed this rate to be an appropriate rate with which to discount future cashflows under a value in use calculation.

The Directors have since received additional external advice that the WACC as calculated did not take into consideration the current market assessments of the time value of money and the risks specific to the assets for which the future cash flow estimates have not been adjusted.

Consequently, the Directors have concluded that the goodwill impairment recorded at 30 June 2009 was understated.

Had the new basis for calculation been applied to the financial statements for the year ended 30 June 2009 the balances would have been as follows (no taxation effect results from these changes):

	Before Adjustment \$'000	Adjustment \$'000	Restated 30 June 2009 \$'000
Consolidated Statement of Comprehensive Income			
Impairment of current assets	(2,011)	(7,618)	(9,629)
Profit / (loss) from continuing operations	387	(7,618)	(7,231)
Basic earnings / (loss) per share	0.08	(1.54)	(1.46)
Diluted earnings / (loss) per share	0.08	(1.54)	(1.46)
Consolidated Statement of Financial Position			
Non – current assets			
Intangible assets	180,386	(7,618)	172,768
Accumulated losses	(118,801)	(7,618)	(126,419)

NATIONAL LEISURE & GAMING LIMITED AND CONTROLLED ENTITIES
Notes to the consolidated financial statements

NOTE 3: REVENUE

	Consolidated	
	30-Jun-10	30-Jun-09
	\$'000	\$'000
Revenues from continuing operations		
Gaming revenue	87,216	90,153
Revenue from sale of goods – On-Premise	46,294	50,287
Revenue from sale of goods – Retail	44,738	49,732
Revenue - Accommodation	1,813	1,913
SALES REVENUE	<u>180,061</u>	<u>192,085</u>
Interest received	35	36
Other income	1,646	2,365
Gain on loan forgiven	29,271	17,633
Gain on deferred interest forgiven	10,729	-
Net gain / (loss) on sale of leasehold venue	(968)	4,722
TOTAL INCOME	<u>220,774</u>	<u>216,841</u>

NOTE 4: PROFIT / (LOSS) FROM CONTINUING OPERATIONS

	Consolidated	
	30-Jun-10	30-Jun-09
	\$'000	\$'000
Profit / (Loss) from continuing operations before income tax has been determined after the following specific expenses:		
COST OF SALES	<u>82,511</u>	<u>88,943</u>
EMPLOYEE BENEFITS EXPENSE	<u>28,620</u>	<u>28,980</u>
Management Fees	260	316
Administrative Costs	3,898	4,445
Other Business Operating Expenses	25,616	25,518
BUSINESS OPERATING EXPENSES	<u>29,774</u>	<u>30,279</u>
Amortisation – Leasehold Improvements	294	228
Depreciation – Plant and Equipment	7,763	7,691
DEPRECIATION OF NON-CURRENT ASSETS	<u>8,057</u>	<u>7,919</u>
Interest	10,833	18,356
Amortisation – Borrowing costs	105	109
FINANCE COSTS – BANK LOANS & OVERDRAFTS	<u>10,938</u>	<u>18,465</u>
OPERATING LEASE EXPENSES	<u>39,222</u>	<u>39,857</u>
Impairment of Fixed Assets	2,437	-
Impairment of Goodwill	23,116	9,629
IMPAIRMENT OF NON-CURRENT ASSETS	<u>25,553</u>	<u>9,629</u>

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NATIONAL LEISURE & GAMING LIMITED AND CONTROLLED ENTITIES
Notes to the consolidated financial statements

NOTE 5: DIVIDENDS

No dividends have been paid or declared during the period (2009: Nil).

NOTE 6: TRADE AND OTHER RECEIVABLES

	Consolidated	
	30-Jun-10 \$'000	30-Jun-09 \$'000
Trade receivables	249	277
TOTAL TRADE AND OTHER RECEIVABLES	249	277

NOTE 7: INVENTORIES

Finished goods at cost	3,139	3,435
TOTAL INVENTORIES	3,139	3,435

NOTE 8: OTHER FINANCIAL ASSETS

Derivative designated at fair value through profit or loss – interest rate swap	133	-
TOTAL OTHER FINANCIAL ASSETS	133	-

NOTE 9: OTHER CURRENT ASSETS

Deposits Paid	125	191
Prepayments	2,223	1,078
Other debtors	287	339
TOTAL OTHER CURRENT ASSETS	2,635	1,608

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NATIONAL LEISURE & GAMING LIMITED AND CONTROLLED ENTITIES
Notes to the consolidated financial statements

NOTE 10: PLANT AND EQUIPMENT

	Consolidated	
	30-Jun-10 \$'000	30-Jun-09 \$'000
Leasehold Improvements at cost	11,892	10,291
Accumulated Depreciation	(759)	(485)
	11,133	9,806
Plant & Equipment at cost	43,665	46,597
Accumulated Depreciation	(23,600)	(19,128)
	20,065	27,469
TOTAL Plant & Equipment at cost	55,557	56,888
Accumulated Depreciation	(24,359)	(19,613)
TOTAL PLANT & EQUIPMENT	31,198	37,275

(a) Reconciliations

Reconciliations of the carrying amounts of property, plant & equipment at the beginning and end of the current reporting period.

Leasehold Improvements

Carrying amount at beginning	9,806	6,800
Additions	2,210	3,367
Impairment (Note 4)	(321)	-
Disposals	(268)	(133)
Depreciation / Amortisation expense	(294)	(228)
Total Leasehold Improvements	11,133	9,806

Plant & Equipment

Carrying amount at beginning	27,469	34,757
Additions	3,020	2,098
Impairment (Note 4)	(2,116)	-
Disposals	(545)	(1,695)
Depreciation / Amortisation expense	(7,763)	(7,691)
Total Plant & Equipment	20,065	27,469

TOTAL PLANT AND EQUIPMENT	31,198	37,275
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NATIONAL LEISURE & GAMING LIMITED AND CONTROLLED ENTITIES
Notes to the consolidated financial statements

NOTE 11: INTANGIBLES

	Consolidated	
	30-Jun-10 \$'000	30-Jun-09 \$'000
Movement for the Year		
Opening net book value	172,768	190,475
Disposal	(7,101)	-
Impairment on disposed asset	7,101	-
Deductions – Contract for Sale	-	(8,078)
Impairment Charge (Note 4)	(23,116)	(9,629)
Closing net book value	<u>149,652</u>	<u>172,768</u>
At Year End		
Goodwill at cost	262,491	269,592
Accumulated Impairment of goodwill	(112,839)	(96,824)
Net carrying amount	<u>149,652</u>	<u>172,768</u>

NOTE 12: TRADE AND OTHER PAYABLES

Trade payables	6,651	8,450
Other payables	9,345	12,978
TOTAL CURRENT TRADE AND OTHER PAYABLES	<u>15,996</u>	<u>21,428</u>

NOTE 13: OTHER FINANCIAL LIABILITIES

Derivative designated and effective as hedging instrument carried at fair value – interest rate swap	-	362
TOTAL OTHER FINANCIAL LIABILITIES	<u>-</u>	<u>362</u>

NOTE 14: PROVISIONS

Employee benefits	891	819
TOTAL CURRENT	<u>891</u>	<u>819</u>
Employee benefits	153	82
TOTAL NON-CURRENT	<u>153</u>	<u>82</u>
(a) Aggregate employee entitlements liability	<u>1,044</u>	<u>901</u>

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NATIONAL LEISURE & GAMING LIMITED AND CONTROLLED ENTITIES
Notes to the consolidated financial statements

NOTE 15: BORROWINGS

SECURED

Bank Overdraft (i)	-	-
TOTAL CURRENT	-	-
Bank Loans – Secured (i) (ii)	153,216	182,382
TOTAL NON-CURRENT	153,216	182,382

- (i) The bank loans are secured as follows:
- a. A first ranking registered debenture charge from NLG Operations Pty Ltd
 - b. Deed of charge over the gaming licence and over the liquor licence for hotels leased from time to time
 - c. Guarantee and indemnity for \$213,634,000 given by NLG group companies and trusts, supported by:
 - i. A first ranking registered debenture charge from NLG group companies and trusts
 - d. Mortgage of lease over the bottle shop premises leased from time to time
- (ii) Effective 30 June 2010, NLG agreed a re-structuring of its debt facility with its sole lender the National Australia Bank. The form of this re-structuring included the creation of three new debt tranches, as well as a forgiveness of debt totalling \$29,270,611 and interest and fees payable totalling \$12,065,947. The discharge of this portion of senior debt, interest and fees resulted in NLG realising a material profit adjustment of \$41,336,558 in the financial year 2010 accounts.

NOTE 16: CONTRIBUTED EQUITY

(a) Issued and paid up capital

	Consolidated	
	30-Jun-10	30-Jun-09
	\$'000	\$'000
ORDINARY SHARES FULLY PAID	149,500	149,500

Fully paid ordinary shares entitle the holder to participate in dividends and the proceeds on winding up the company in proportion to the number of and amounts paid on the shares

(b) Movements in shares on issue

	Consolidated and Parent Entity		Consolidated and Parent Entity	
	2010		2009	
	No. of Shares	\$'000	No. of Shares	\$'000
Beginning of the financial year	495,191,812	149,500	495,191,812	149,500
Issued during the period	-	-	-	-
END OF THE FINANCIAL YEAR	495,191,812	149,500	495,191,812	149,500

NATIONAL LEISURE & GAMING LIMITED AND CONTROLLED ENTITIES
Notes to the consolidated financial statements

NOTE 17: CASH FLOW INFORMATION

(a) Reconciliation of the net profit / (loss) after tax to the net cash flows from operations

	Consolidated	
	30-Jun-10	30-Jun-09
	\$'000	\$'000
Net Profit / (Loss) after income tax	(3,818)	(7,231)
NON-CASH ITEMS		
Depreciation and amortisation	8,057	8,028
Impairment of non-current assets	25,553	9,629
Gain on loan forgiven	(29,271)	(17,633)
Net loss / (gain) on sale of leasehold venues	813	(4,722)
Change in derivatives designated at fair value	(133)	-
Borrowing costs amortised	105	-
Share options	50	-
Capitalised interest	-	2,193
CHANGE IN OPERATING ASSETS AND LIABILITIES		
Decrease in trade receivables	28	78
(Increase) / decrease in inventory	296	(320)
Decrease / (increase) in other current assets	(1,027)	490
Increase / (decrease) in trade and other creditors	(5,882)	1,833
Increase / (decrease) in employee entitlements	143	163
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>(5,086)</u>	<u>(7,492)</u>

(b) Reconciliation of cash

	Consolidated	
	30-Jun-10	30-Jun-09
	\$'000	\$'000
Cash balance comprises:		
- Cash at bank and on hand	3,082	12,429
- Bank overdraft	-	-
Closing cash balance	<u>3,082</u>	<u>12,429</u>

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NATIONAL LEISURE & GAMING LIMITED AND CONTROLLED ENTITIES
Notes to the consolidated financial statements

NOTE 18: COMMITMENTS FOR EXPENDITURE

	Consolidated	
	30-Jun-10	30-Jun-09
	\$'000	\$'000
(i) Future minimum rentals under non-cancellable operating leases not provided for in these financial statements, payable:		
- Not later than one year	40,019	40,011
- Later than one year, not later than five years	174,966	174,810
- Later than 5 years	652,454	650,467
	867,439	865,288
Total future minimum lease payments not provided for	867,439	865,288

The Company and consolidated entity lease hotels and retail premises for periods of up to 50 years. Generally the lease agreements for hotels are for initial terms of 15-20 years, and include multiple renewal options for additional 10-15 year terms. Generally the lease agreements for retail premises are for initial terms of 3 to 5 years, and most include multiple renewal options for additional 3 to 5 year terms. Under most leases, the company is responsible for property taxes, insurance, maintenance and expenses related to the leased properties.

NOTE 19: SEGMENT INFORMATION

The consolidated entity operates in the Hospitality and Gaming industry predominantly in Australia.

NOTE 20: SUBSEQUENT EVENTS

No other matters or circumstances have arisen since the end of the financial 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.

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