NATIONAL LEISURE & GAMING LIMITED

ABN: 13 113 373 461

AND CONTROLLED ENTITIES

FINANCIAL REPORT

For the year ended 30 JUNE 2011

Directors
Peter Dransfield, Chairman
David Greek, Non – Executive Director
Craig Laundy, Non – Executive Director
Andrew Jolliffe, Resigned Non-Executive Director on 26 December 2010
Dan Brady, Appointed Director and Chief Executive Officer on 17 January 2011

Secretary
Jennie Yuen appointed 30 May 2011
Sarah Prince resigned 30 May 2011

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
Level 10, 1 Margaret Street
SYDNEY NSW 2000

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

Bankers
Goldman Sachs & Partners Australia Pty Ltd
Level 42, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

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

Lawyer
Lands Legal
Level 8, 131 York Street
Sydney NSW 2000

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The Directors present their report on the consolidated entity comprising National Leisure & Gaming Limited (NLG or the Company) and the entities it controlled (the Group or consolidated group) at the end of, or during, the year ended 30 June 2011.

Principal Activities

The principal activity of the consolidated entity during the year under review was the operation of leisure and gaming venues.

There has been no significant change in the nature of this activity during the year.

Review of Operations

The consolidated loss of the Group for the year ended 30 June 2011 after providing for income tax expense amounted to $51,528,000 (2010: loss $3,818,000).

As at 30 June 2010 NLG operated 35 hotels. During the year ending 30 June 2011 NLG divested one hotel, Gladstone Reef Hotel, Gladstone Queensland and due to a contractual obligation re-leased the Wynnum Point Hotel – Brisbane, Queensland. As at 30 June 2011 NLG operated 35 hotels.

NLG's financial year 2011 result was affected by a number of issues, including:

- **$41m Impairment Write-Down**: Notwithstanding a goodwill write-down in the 2010 financial year accounts, a further $41m impairment (to the goodwill paid on acquisition of the pub portfolio) was provided for due to a combination of:
    i. no major capital expenditure (specifically) new gaming product, leading to a decline in future gaming performance;
    ii. the likelihood in some format of the Wilkie proposal for pre-commitments;
    iii. the uncertainty of the retail economy; and
    iv. a continued contraction in household discretionary spending.

- **Divestiture of One Non-Core Asset**: In financial year 2011, NLG successfully divested one non-core hotel asset; Gladstone Reef Hotel, Gladstone Queensland.

Future Developments

NLG will continue to explore further options to reduce its rent obligations and restructure its debt.

Debt Facilities

During the period NLG attempted to solve its long term business issues by entering into two exclusive due diligence periods with the Laundy Hotel Group in an attempt to divest 20 Redcape Property Fund (landlord) venues. On 6 June 2011, (after the exclusivity periods lapsed) Goldman Sachs (Asia) Finance (GSAF) acquired NLG's senior debt from the National Australia Bank (BNZA/ NAB).

NLG is currently working closely with GSAF as its principal lender and NLG would like to thank GSAF for its support since becoming its principal lender. NLG would also like to thank the BNZA/NAB for its support over the years.

It should be highlighted in this report that NLG's senior debt facility lapses on 31 January 2012. The NLG Board is currently working towards an extension of all facilities with GSAF.

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.

Information on Directors

Directors

The Directors of NLG at any time during or since the end of the financial year were:

- Peter Dransfield, Independent Non-Executive Chairman
- David Greek, Non-Executive Director
- Craig Laundy, Non-Executive Director
- Andrew Jolliffe, Appointed Non-Executive Director on 30 June 2010 resigned 26 December 2010
- Dan Brady, Director & Chief Executive Officer appointed 17 January 2011

The Directors have been in office since the start of the reporting period to the date of this report unless stated otherwise. Additional information is provided below regarding the Directors.

Peter Dransfield

Independent Non-Executive Chairman, member of the Audit & Compliance Committee, member and Chairman of the Remuneration & Nomination Committee during the reporting period. Mr Dransfield was appointed Chairman of the Remuneration & Nomination committee on 26 December 2010.

Peter has extensive experience and is currently a consultant to Grant Samuel Property, a director of Macquarie Real Estate Equity Fund, Devine Limited and Bremer Park Limited, Independent Chairman of two Landcom joint ventures and a member of the Investment Committee for the St Hilliers Enhanced Property Trust.

Previously Peter was a director of Multiplex Group and Walker Corporation. Peter was also previously the Director of Housing, New South Wales State Government and an executive of Australand Holdings Limited.

David Greek
B.Com, Post Grad Diploma (Acc), CA

Non-Executive Director, Chairman of the Audit & Compliance Committee and member of the Remuneration & Nomination Committee.

David is a Principal and Director of Zorba Financial Services an accounting firm specialising in leisure, hospitality and gaming. David was both Company Secretary and Chief Financial Officer of NLG prior to being appointed as a Non-Executive Director.

Craig Laundy

Non-Executive Director, member of the Audit & Compliance Committee and the Remuneration & Nomination Committee.

Craig is the General Manager of Laundy Hotels Pty Ltd and a director of a number of associated companies. Craig has substantial experience in the management and operation of a large portfolio of hotels, identifying and implementing opportunities for operational improvements, managing supply arrangements and back-office control systems. Craig works at the forefront of gaming technology and innovation and was responsible for the design of the Lasseter's Loot wide area linked jackpot.

Dan Brady

Director & Chief Executive Officer appointed 17 January 2011. Dan was appointed a member of the Board and a member of the Audit & Compliance Committee.

Having spent 20 years working in hotels, Dan has worked his way through the ranks of the industry from a start in Tamworth, country NSW, through to operating venues in both regional areas and metropolitan areas across States in Australia.

He has built up extensive experience in the sector from operating single sites, multi sites, working for owner operators, investors, investment consortium's and in the publicly listed company environment as well as being a hotel proprietor.

Throughout his years of working in the hotel sector Dan is most proud of the teams he has worked with and managed. The successful outcomes that have been achieved by these teams through creation of a healthy work culture, fairness in the workplace, rewarding innovative and entrepreneurial talent and ensuring the whole process remained fun as per what working in the hospitality industry represents.

Andrew Jolliffe

Appointed Non-Executive Director on 30 June 2010. Following his resignation as Managing Director & Chief Executive Officer (30 June 2010), Andrew was appointed a member of the Audit & Compliance Committee and a member and Chairman of the Remuneration & Nomination Committee. Andrew resigned from the board on 26 December 2010.

Andrew was previously Managing Director of the GSL Pub Operations Trust, part of the Grant Samuel Laundy Pub Fund. An experienced Sydney hotelier, he previously managed a hotel portfolio comprising major destination venues including the Palace Hotel in Coogee and Empire Hotel in Kings Cross. Prior to his role as Managing Director & Chief Executive Officer of NLG, Andrew held the role of Chief Operating Officer of NLG.

Information on Company Secretary

Jennie Yuen has over eleven years of experience in a variety of roles as a commercial/corporate lawyer and company secretary. Ms Yuen currently works for Company Matters Pty Limited which is a specialist company secretarial and governance service provider engaged by NLG. Previously, Jennie was a commercial/corporate lawyer at Holding Redlich Lawyers.

Jennie holds a Bachelor of Commerce, a Bachelor of Laws and a Graduate Diploma in Corporate Governance, and is admitted as a solicitor of the Supreme Court of NSW.

Jennie is also Company Secretary of Viralytics Limited, Bremer Park Limited and Analytica Limited.

Proceedings on Behalf of the Consolidated Entity

No person has applied for leave of court to bring proceedings on behalf of the consolidated entity.

Directors' Interests in Shares or Options

The following table sets out the number of shares and options each Director of NLG hold a relevant interest in.

Director	Relevant Interest at 30 June 2011
Peter Dransfield	• 938,625 fully paid ordinary shares • 800,000 vested options
Craig Laundy	• 66,862,181 fully paid ordinary shares • 2,800,000 vested options
David Greek	• 800,000 vested options
Dan Brady	• Nil

Directors' Meetings

The numbers of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2011, and the number of meetings attended by each Director were:

Director	Board meetings attended (held during tenure)	Audit & Compliance Committee meetings attended (held during tenure)	Remuneration & Nominations Committee meetings attended (held during tenure)
Peter Dransfield	14(14)	6(6)	3(3)
Andrew Jolliffe	7(8)	3(4)	1(1)
David Greek	14(14)	6(6)	3(3)
Craig Laundy	9(14)	5(6)	1(3)
Dan Brady	5(5)	2(2)	2(2)

Shares under Option

Details of un-issued shares or interests under option as at 30 June 2011 are:

Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
2,000,000	Ordinary	$0.53	22 December 2011
2,000,000	Ordinary	$0.58	22 June 2012
2,000,000	Ordinary	$0.0169	7 December 2013
900,000	Ordinary	$0.0133	7 December 2013

No person entitled to exercise an option had or has any right by virtue of the option to participate in any share issue of the Company.

Shares Issued on Exercise of Options

There were no shares issued during the financial period as a result of the exercise of an option.

Remuneration Report (Audited)

The information provided here is that required under Section 300A of the Corporations Act and recommended by Principle 8 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations.

NLG Remuneration Policies and Practices

In relation to remuneration matters, the Board has policies that are established to review the remuneration policies and practices of NLG to ensure that it remunerates fairly and responsibly. The remuneration policy of the Board is designed to ensure that the level and composition of remuneration is competitive, reasonable and appropriate for the results delivered and to attract and maintain desirable directors and employees.

The remuneration structures reward the achievement of strategic objectives to achieve the broader outcome of creation of value for shareholders. The Remuneration & Nomination Committee reviews and recommends to the Board on matters of remuneration policy, specific recommendations in relation to senior management and all matters concerning equity plans and awards. The Committee will obtain professional advice where necessary to ensure that the Company attracts and retains employees who can enhance Company performance through their contributions and leadership.

Overall, the mix of the NLG remuneration program, detailed below, is designed to be and is considered consistent, with market practice.

Non-Executive Director Remuneration

Fees

Non-executive Director fees are determined within an aggregate directors' fee pool limit, which will be periodically approved by shareholders in general meeting (the current limit is $350,000). Non-executive Director fees are aggregate in nature in that they are fees payable in respect of both annual Board and Committee work undertaken. Current fees for non-executive Directors for the year ended 30 June 2011 are as follows:

Chairman	$88,000 per annum
Non-executive Director	$44,000 per annum
Chair of the Audit & Compliance Committee	$15,500 per annum
Chair of the Remuneration & Nomination Committee	$11,000 per annum
Member of the Audit & Compliance Committee	$11,000 per annum
Member of the Remuneration & Nomination Committee	$5,500 per annum

During the year ended 30 June 2011, $254,500 (72.7%) of the fee pool was used (2010: $200,000 used).

Equity Participation

No options were issued to Non-executive Directors during the financial period.

Non-executive Directors are not permitted to enter into transactions with securities (or any derivative thereof) which limit the economic risk of any unvested entitlements awarded under any equity-based remuneration schemes to be offered by the Company in the future.

Retirement Benefits

Non-executive Directors do not receive retirement benefits, other than statutory superannuation entitlements.

Executive Remuneration

There are up to three categories of remuneration employed to reward employees, including the Executive Director(s), depending on their role and responsibility within NLG:

1. Base Salary;
2. Short Term Incentive, by way of a bonus; and
3. Short Term Incentive, by way of an award of options to the Managing Director;

therefore representing a mix of fixed and "at-risk" pay.

Base Salary

Base salary (which includes NLG's statutory superannuation guarantee contribution) is set with reference to market data, reflecting the scope of the role and the performance of the person in the role. Should the role require a unique skill set, this is also reflected in the base salary. Salaries are reviewed annually and generally reflect a "middle-of-the-market" approach, wherever comparisons to similar comparative roles within Australia can be made.

Short Term Incentives (STI)

NLG uses short term incentives in the form of "at risk" elements of remuneration by way of bonus payments to achieve the following objectives:

- focus executives on the financial and business targets that the Board believes will lead to sustained and improved business performance;
- focus executives on the immediate goals of improving the Company's performance by linking Company performance to individual reward;
- establish a variable remuneration arrangement that links individual performance with reward;
- reward and recognise superior performance, if achieved.

Clear and focused performance targets are important to both NLG and its employees. The incentive offered will vary depending upon relative performance against Board approved targets which measure both NLG and individual performance.

Equity Participation

Long term incentives are not currently used by the Company given the stage of the Company's development, all key business drivers are set by reference to the foreseeable future; as such, only short-term incentives are seen as appropriate at risk remuneration for present purposes. The Remuneration & Nomination Committee will continue to review the incentives used as the Company develops and achieves its goals and anticipates the introduction of appropriate long term incentives with time.

Total Reward Mix

Consistent with market practice, the proportion of remuneration attributable to each component of the NLG Remuneration Policy is dependent on the level of seniority of the executive. The Board believes its total reward mix to be consistent with market practice and takes into consideration relevant benchmarking data in reviewing the mix.

Details of key management personnel's *actual* proportion of remuneration which was performance related in relation to the year ended 30 June 2011 are set out under "equity" or "Cash Bonus" in the remuneration for key management personnel table.

<u>Anti-Hedging Policy</u>

Company executives are not permitted to enter into transactions with securities (or any derivative thereof) which limit the economic risk of any unvested entitlements awarded under any equity-based remuneration schemes to be offered by the Company in the future.

<u>Continuous Improvement</u>

NLG will continually review all elements of its remuneration philosophy to ensure that they are appropriate from the perspectives of governance, disclosure, reward and market conditions.

<u>Relationship between Policy and NLG's Performance</u>

The STI performance conditions demonstrate NLG's willingness to design a remuneration philosophy for the benefit of its employees and shareholders alike - payment is dependent upon the achievement of performance targets set by reference to both the Company and individual performance. The Company's performance is typically measured by a financial metric (EBITDA) in an attempt to align the at-risk remuneration with shareholder wealth. Should the Company's financial performance not meet or exceed the target, then that proportion of the incentive attributable to the Company metric is not paid to the executive.

The relationship between NLG's performance and the award of options to the Managing Director as an STI is described above.

Remuneration for Key Management Personnel for the reporting period and the prior period are set out below.

2011	Primary			Post Employment		Equity	Options % of Total that consist of Options	TOTAL	Total Performance Related
	Salary Fees $	Cash Bonus $	Non-Monetary $	Super $	Retirement Benefits $	Options $	%	$	%
Key Management Personnel									
Dan Brady – CEO**	250,051	50,000	-	22,505	-	-	-	322,556	15.50
Karen Chaston – CFO	200,000	50,000	-	17,990	-	-	-	267,990	18.66
Director									
Peter Dransfield****	95,000	-	-	-	-	-	-	95,000	-
David Greek*****	66,000	-	-	-	-	-	-	66,000	-
Craig Laundy***	60,500	-	-	-	-	-	-	60,500	-
Andrew Jolliffe*	33,000	-	-	-	-	-	-	33,000	-
TOTAL	704,551	100,000	-	40,495	-	-	-	845,046	11.83

* Resigned as Managing Director & Chief Executive Officer and was appointed Non- Executive Director on 30 June 2010. Andrew resigned from the board on 26 December 2010. Andrew Jolliffe's Directors fees were paid to Field 5 Consultancy Pty Ltd.

** General Manager. Dan Brady's position during the reporting period was General Manager, before being appointed Director and Chief Executive Officer on 17 January 2011.

***Craig Laundy director's fees are paid to Laundy Hotel Consulting Pty Ltd <Craig Laundy Family A/C>.

**** Peter Dransfield director's fees are paid to Layrir Pty Ltd.

***** David Greek director's fees are paid to Zorba Financial Services Pty Ltd.

2010	Primary			Post Employment		Equity	Options % of Total that consist of Options	TOTAL	Total Performance Related
	Salary Fees $	Cash Bonus $	Non-Monetary $	Super $	Retirement Benefits $	Options $	%	$	%
Key Management Personnel									
Andrew Jolliffe – CEO*	425,158	82,000	-	41,701	-	9,900	1.7	558,759	16.4
Karen Chaston – CFO	183,827	3,173	-	16,830	-	-	-	203,830	1.5
Dan Brady – GM**	221,681	4,266	-	19,567	-	-	-	245,514	1.7
Director									
Peter Dransfield****	85,000	-	-	-	-	13,236	13.4	98,236	13.4
David Greek*****	60,000	-	-	-	-	13,236	18.0	73,236	18.0
Craig Laundy***	55,000	-	-	-	-	13,236	19.4	68,236	19.4
TOTAL	1,030,666	89,439	-	78,098	-	49,608	3.9	1,247,811	11.1

* Resigned as Managing Director & Chief Executive Officer and was appointed Non- Executive Director on 30 June 2010. Andrew resigned from the board on 26 December 2010.

** General Manager. Dan Brady's position during the reporting period was National Operations Manager.

***Craig Laundy director's fees are paid to Laundy Hotel Consulting Pty Ltd <Craig Laundy Family A/C>.

**** Peter Dransfield director's fees are paid to Layrir Pty Ltd.

***** David Greek director's fees are paid to Zorba Financial Services Pty Ltd.

Executive Service Agreements

Chief Executive Officer

The Chief Executive Officer's (CEO) service agreement has effect from 17 January 2011 and is a rolling contract. The service agreement provides for 6 months notice of termination on the part of the Company and 3 months notice on the part of the CEO.

The short term incentive plan (STIP) provides for a maximum annual payment of $100,000. The actual payment will be calculated with regard to achievement of key performance indicators agreed annually with the Board.

Dan Brady was appointed as Chief Executive Officer and Director on 17 January 2011.

Chief Financial Officer

The Chief Financial Officer's (CFO) service agreement has effect from 7 April 2008 and is a rolling contract. The service agreement provides for 6 months notice of termination on the part of the Company and 3 months notice on the part of the CFO.

The STIP provides for a maximum annual payment of $100,000. The actual payment will be calculated with regard to achievement of key performance indicators agreed annually with the Board.

Options granted as remuneration exercised or lapsed during the financial period

No options were granted during the financial period.

Fair Value of equity instruments

The Director Options have been valued at grant date using Black-Scholes analysis calculator. The assumptions underlying the Director Options valuations are:

Issue Date	Total Number of shares under option	Exercise price of option $	Share price on issue date	Volatility %	Option Value $	Number of days until vested	Value $'000
7 Dec 2009	2,000,000	0.0169	0.033	15	0.0198	-	39.6
7 Dec 2009	900,000	0.0133	0.033	15	0.0198	-	17.8
Total	**2,900,000**						**57.4**

Indemnification of directors, officers and auditors

NLG has entered into a Director Indemnity Insurance and Access Deed with each of the Directors of the Company (as named above), whereby the Company indemnifies the Director against all losses and liabilities incurred by the Director, to the extent permitted by the Corporations Act 2001, as a Director of the Company, and pending the Director's appointment, acting as a Director of the Company or a Controlled Entity from the time the Director consents to act as such a Director.

The Company maintains a Directors' and Officers' Insurance policy in respect of insurance cover of Directors, secretaries and officers, to the extent that the loss arises from their position as such. The policy is primarily a company reimbursement policy. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the Directors, secretaries or officers in their capacity as officers of NLG or a controlled entity, and any other payments arising from liabilities incurred by the directors, secretaries or officers in connection with such proceedings, other than where such liabilities arise out of conduct involving a wilful breach of duty by the Directors, secretaries or officers or the improper use by the Directors, secretaries or officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. In accordance with usual commercial practice, the premium paid and the terms of the cover secured by that premium are confidential under the terms of the insurance contract. The insurance does not provide cover for the independent auditors of the Company.

Directors' Interests in Contracts

Directors' interests in contracts are disclosed in Note 27 to the financial statements.

Auditor's Declaration of Independence as required

A copy of the auditor's independence declaration under section 307C of the Corporations Act 2001 in relation to the audit for the financial period is provided with this report.

Non-Audit Services

The details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 26 to the financial statements.

The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are of the opinion that the services as disclosed in note 26 to the financial report do not compromise the external auditor's independence for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor, and

- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

During the year ended 30 June 2011 fees for advice in relation to taxation compliance work for non-audit services were paid as follows:

Firm	$
PKF	87,280
Total	87,280

Rounding of amounts to nearest thousand dollars

The amounts contained in the report and in the financial report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/100. The Company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the Directors:

On behalf of the Directors

Peter Dransfield
Chairman

Dan Brady
Director

Sydney
30 August 2011

Chartered Accountants
& Business Advisers

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: The directors of National Leisure & Gaming Limited and the entities it controlled during the year.

I declare to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

PKF

PKF

Arthur Milner
Partner

Sydney

Dated this 30th day of August 2011

Tel: 61 2 9251 4100 | Fax: 61 2 9240 9821 | www.pkf.com.au
PKF | ABN 83 236 985 726
Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia

NATIONAL LEISURE & GAMING LIMITED AND CONTROLLED ENTITIES
Consolidated Statement of Comprehensive Income for the year ended 30 June 2011

	Notes	30-Jun-11 $'000	30-Jun-10 $'000
Revenue from continuing operations	2	180,760	180,061
Raw materials and consumables used	3	(82,294)	(82,511)
Interest revenue	2	13	35
Other income	2	1,978	1,646
Gain on loan forgiven	2	-	29,271
Gain on deferred interest forgiven	2	-	10,729
Gain/(Loss) on sale of leasehold venues	2	-	(968)
Business operating expenses	3	(27,972)	(29,774)
Employee benefits expense	3	(28,426)	(28,620)
Depreciation and amortisation expense	3	(6,715)	(8,057)
Operating lease expenses	3	(42,968)	(39,222)
Impairment of non-current assets	3	(41,356)	(25,553)
Share based payments expense		(8)	(50)
Finance costs	3	(4,407)	(10,938)
Gain / (loss) on derivates designated at fair value through profit and loss		(133)	133
Loss Before Income Tax		(51,528)	(3,818)
Income tax expense	4	-	-
Loss for the year attributed to members of the parent entity		(51,528)	(3,818)
Other Comprehensive Income			
Gain / (loss) on cashflow hedge taken to equity		-	362
Other comprehensive income for the year, net of tax		-	362
Total comprehensive income for the year		(51,528)	(3,456)
Earnings / (Losses) Per Share:			
Basic (cents per share)	21	(10.41)	(0.77)
Diluted (cents per share)	21	(10.41)	(0.77)

The above statement of comprehensive income is to be read in conjunction with the accompanying notes to the financial statements.

NATIONAL LEISURE & GAMING LIMITED AND CONTROLLED ENTITIES
Consolidated Statement of Financial Position as at 30 June 2011

	Notes	30-Jun11 $'000	30-Jun-10 $'000
Current Assets			
Cash and cash equivalents	19(b)	5,120	3,082
Trade and other receivables	6	145	249
Inventories	7	3,025	3,139
Other financial assets	8	-	133
Other current assets	9	2,129	2,635
TOTAL CURRENT ASSETS		10,419	9,238
Non-Current Assets			
Plant and equipment	10	25,617	31,198
Intangible assets	11	108,296	149,652
TOTAL NON-CURRENT ASSETS		133,913	180,850
TOTAL ASSETS		144,332	190,088
Current Liabilities			
Trade payables	13	6,016	6,651
Other Payables	13	11,484	9,345
Current provisions	15	1,142	891
Current Borrowings	14	157,729	-
TOTAL CURRENT LIABILITIES		176,371	16,887
Non-Current Liabilities			
Other Payables		-	519
Long-Term Borrowings	16	-	153,216
Long-Term provisions	15	168	153
TOTAL NON-CURRENT LIABILITIES		168	153,888
TOTAL LIABILITIES		176,539	170,775
NET (LIABILITIES) / ASSETS		(32,207)	19,313
Equity			
Contributed equity	17	149,500	149,500
Reserves	18	58	50
Accumulated losses		(181,765)	(130,237)
TOTAL EQUITY		(32,207)	19,313

The above statement of financial position is to be read in conjunction with the accompanying notes to the financial statements.

NATIONAL LEISURE & GAMING LIMITED AND CONTROLLED ENTITIES
Consolidated Statement of Changes in Equity for the year ended 30 June 2011

	Contributed Equity	Reserves	Accumulated Losses	Total
	$'000	$'000	$'000	$'000
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
Balance at 1 July 2010	149,500	50	(130,237)	19,313
Loss for the year	-	-	(51,528)	(51,528)
Other comprehensive income				
Changes in the fair value of cashflow hedge	-	-	-	-
Total comprehensive income for the year	-	50	(51,528)	(51,478)
Transactions with owners in their capacity as owners				
Share based payments expense	-	8	-	8
Balance at 30 June 2011	149,500	58	(181,765)	(32,207)

The above statement of changes in equity is to be read in conjunction with the accompanying notes to the financial statements.

NATIONAL LEISURE & GAMING LIMITED AND CONTROLLED ENTITIES
Consolidated Statement of Cash Flows for the year ended 30 June 2011

	Notes	30-Jun-11 $'000	30-Jun-10 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers (inclusive of goods and services tax)		198,760	197,367
Payments to suppliers and employees (inclusive of goods and services tax)		(196,618)	(196,866)
Interest received		13	35
Finance costs paid		(3,939)	(5,622)
Net cash used in operating activities	19(a)	(1,784)	(5,086)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for Plant and equipment		(1,598)	(4,261)
Net cash used in investing activities		(1,598)	(4,261)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings		4,400	-
Recoupment of interest paid		1,020	-
Net cash provided by financing activities		5,420	-
Net increase / (decrease) in cash and cash equivalents		2,038	(9,347)
Cash and cash equivalents at beginning of period		3,082	12,429
Cash and cash equivalents at end of the period	19(b)	5,120	3,082

The above statement of cash flows is to be read in conjunction with the accompanying notes to the financial statements.

NOTE 1: BASIS OF PREPARATION

This financial report is a general purpose financial report that 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.

Compliance with Australian Accounting Standards ensures that the financial statements and notes also complies with International Financial Reporting Standards.

The 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.

The financial report covers National Leisure & Gaming Limited and it's Controlled Entities as a consolidated entity. National Leisure & Gaming Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial report was authorised for issue by the Directors as at the date of the Directors' declaration.

The following is a summary of material accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Summary of significant accounting policies:

(a) 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. This is not withstanding that the Group incurred losses for the year of $51.5m, of which more than $41m related to impairment of goodwill.

These losses, along with the expiration of the senior debt facilities of $157.7m on 31 January 2012 have negatively impacted the Group's financial position resulting in net current liabilities of $165.9m and net liabilities of $32.2m respectively as at 30 June 2011. These conditions give rise to material uncertainty which may cast significant doubt over the Group's ability to continue as a going concern.

As previously announced, effective 6 June 2011, Goldman Sachs (Asia) Finance purchased the senior debt facilities previously held by The National Australia Bank. Since becoming the Group's lender on record, Goldman Sachs have agreed to the following revisions to the senior debt facilities to ensure the ongoing financial security of the Group is maintained:

- An additional $5.5m in short term funding has been made available to support the ongoing working capital requirements of the Group; and
- The deferral of all interest payments on the current facilities up to the expiration of the senior debt facilities on 31 January 2012.

Based on the above events, the Directors have reasonable grounds to believe that the Group will continue to receive continued support from its financiers and the current banking facilities will be renewed beyond 31 January 2012.
Management has forecast future cash flows incorporating:

- maintenance and growth in revenues from existing core hotel assets; and
- 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.

(a) Going Concern (continued)

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 are satisfied that adequate plans are in place and that the Group will have positive cash flows through to at least 12 months from date of authorisation of the financial report. On this basis, the financial report has been prepared on the going concern basis.

Should the Group be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the Group be unable to continue as a going concern and meet its debts as and when they fall due.

(b) New accounting standards

The consolidated entity has adopted all the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the annual reporting periods beginning on 1 July 2010. The adoption of the revised Standards and Interpretations has had no impact on the recognition and measurement criteria, only minor changes to some of the disclosure within the financial statements.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory has not been early adopted.

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 30.

(c) Principles of consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of National Leisure & Gaming Limited, the parent entity, and of all entities which National Leisure & Gaming Limited controlled from time to time during the reporting period and at the reporting date. Details of controlled entities are contained in Note 27.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, being for the year ended 30 June 2011.

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation.

(d) Revenue recognition

Revenue from the sale of goods is recognised upon delivery of the goods to customers. Revenue from the rendering of a service is recognised upon delivery of the service to the customer.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.
All revenue is stated net of the amount of goods and services tax (GST).

Gaming revenue is recognised as net funds received (cash invested less payments to players).

(e) Acquisition of assets

The purchase method of accounting is used to account for all acquisitions of assets (including business combinations) regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Where equity instruments are issued in an acquisition, the value of the instruments is their fair value as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

(f) Impairment of assets

Financial assets
A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

(f) Impairment of assets *(continued)*

Non-financial assets
The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, value in use is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the cash-generating unit). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised on prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(g) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(h) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using either a weighted average cost or a first-in first-out basis. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

(i) Plant and equipment

Leasehold Improvements, Plant and equipment
All leasehold improvements, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation
Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The depreciable amounts of all other fixed assets are depreciated on a straight-line basis over their estimated useful lives commencing from the time the asset is held ready for use.

The useful lives for each class of assets are:

	2011	2010
Plant and equipment:	3 to 20 years	3 to 20 years
Leasehold improvements	20 to 40 years	20 to 40 years

(j) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

Operating Leases
Lease payments for operating leases, where substantially all of the risks and benefits remain with the lessor, are charged as expenses in the period in which they are incurred.

(k) Intangible Assets

Goodwill, representing the excess of the cost of an acquisition over the fair value of the identifiable assets, liabilities and contingent liabilities acquired, is recognised as an asset and not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in profit or loss and is not subsequently reversed. Refer also Note 1(f).

(l) Taxes

Current income tax expense or benefit is the tax payable on the current period’s taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax is recognised on temporary differences arising between the carrying amount of the assets and liabilities in the financial statements and the corresponding tax rate used in the computation of taxable profit. No deferred tax assets or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax consolidation
The parent entity and its controlled entities have formed an income tax consolidated group under the tax consolidation legislation. The parent entity is responsible for recognising the current tax liabilities and deferred tax assets arising in respect of tax losses, for the tax consolidated group. The tax consolidated group has also entered a tax funding agreement whereby each company in the Group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated Group.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the reporting period which are unpaid. The amounts are unsecured and are usually paid within supplier trading terms.

(n) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(o) Employee Benefits

Liabilities arising in respect of wages and salaries, annual leave, sick leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

(p) Contributed equity

Ordinary shares are classified as equity. Transaction costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(q) Financial Instruments

Classification
The classification of financial instruments depends on the purpose for which the instruments were acquired. Management determines the classification of its instruments at initial recognition and re-evaluates their designation at each reporting date.

Loans and Receivables
Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Financial Liabilities
Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances.

Derivative financial instruments
The Group uses interest rate swaps to manage its risks associated with interest rate fluctuations.

Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

At the inception of each hedging transaction, the Group documents the relationship between the hedging instruments and the hedged item, its risk management objective and its strategy for undertaking the hedge transaction. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss. Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item is recognised in profit or loss, in the same line of the statement of comprehensive income as the recognised hedged item.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or it no longer qualifies for hedge accounting. Any gain or loss accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset (liability) and of allocating interest income (expense) over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (payments) (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset (liability), or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(s) Rounding Amounts

The Company is of a kind referred to in ASIC Class Order CO 98/100 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.

(t) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(u) Critical accounting estimates and judgements

The Group makes certain estimates and assumptions concerning the future, which, by definition, will seldom represent actual results. The estimates and assumptions that have a significant inherit risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash generating units to which goodwill has been allocated. The value in use calculation requires the consolidated entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The key assumptions on which management has based their cash flow projections when determining the value in use of the cash generating units is that projected turnover, margins and expenses are determined based on historical performance, adjusted for internal/external changes anticipated in the forecast year.

For further details on goodwill and impairment losses recognised in the period, refer to note 11.

The recoverable amount of the investment in subsidiaries and loans from related parties has been determined based on a value in use calculation as described above.

(v) Accounting standards and interpretations issued but not yet effective

As at the date of this report there are a number of new accounting standards and interpretations that have been issued but are not yet effective as detailed below:

Australian Accounting Standards

IFRS No	Title	Issue Date	Operative Date (Annual reporting periods beginning on or after)
10	Consolidation	Jun 2011	1 Jan 2013
11	Joint Arrangements	Jun 2011	1 Jan 2013
12	Disclosure of Interests in Other Entities	Jun 2011	1 Jan 2013
13	Fair Value Measurement	Jun 2011	1 Jan 2013

(v) Accounting standards and interpretations issued but not yet effective (continued)

AASB No	Title	Issue Date	Operative Date (Annual reporting periods beginning on or after)
9	Financial Instruments	Dec 2010	1 Jan 2013
1053	Application of Tiers of Australian Accounting Standards	Jun 2010	1 Jul 2013
2009 – 12	Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]	Dec 2009	1 Jan 2011
2010 – 2	Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements	Jun 2010	1 Jul 2013
2010 – 4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]	Jun 2010	1 Jan 2011
2010 – 5	Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	Oct 2010	1 Jan 2011
2010 – 6	Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]	Nov 2010	1 Jul 2011
2010 – 7	Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]	Dec 2010	1 Jan 2013
2010 – 8	Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112]	Dec 2010	1 Jan 2012
2010 – 9	Amendments to Australian Accounting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters [AASB 1]	Dec 2010	1 Jul 2011
2010 – 10	Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7]	Dec 2010	1 Jan 2013

(v) Accounting standards and interpretations issued but not yet effective (continued)

AASB No	Title	Issue Date	Operative Date (Annual reporting periods beginning on or after)
2011 - 1	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, AASB 5, AASB 101, AASB 107, AASB 108, AASB 121, AASB 128, AASB 132 & AASB 134 and Interpretations 2, 112 & 113]	May 2011	1 Jul 2011
2011 - 2	Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & AASB 1054]	May 2011	1 Jul 2013

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material financial impact on the financial statements of the consolidated entity.

These Standards and Interpretations will be first applied in the financial statements of the consolidated entity that relates to the annual reporting period beginning after the effective date of each pronouncement.

NOTE 2: REVENUE

	30-Jun-11 $'000	30-Jun-10 $'000
Revenues from continuing operations		
Gaming revenue	90,330	87,216
Revenue from sale of goods – On-Premise	45,905	46,294
Revenue from sale of goods – Retail	42,563	44,738
Revenue - Accommodation	1,962	1,813
SALES REVENUE	180,760	180,061
Interest received	13	35
Other income	1,978	1,646
Gain on loan forgiven	-	29,271
Gain on deferred interest forgiven	-	10,729
Net gain / (loss) on sale of leasehold venue	-	(968)
TOTAL INCOME	182,751	220,774

NOTE 3: PROFIT / (LOSS) FROM CONTINUING OPERATIONS

	30-Jun-11 $'000	30-Jun-10 $'000
Profit / (Loss) from continuing operations before income tax has been determined after the following specific expenses:		
COST OF SALES	82,294	82,511
EMPLOYEE BENEFITS EXPENSE	28,426	28,620
Management Fees	325	260
Administrative Costs	4,077	3,898
Other Business Operating Expenses	23,570	25,616
BUSINESS OPERATING EXPENSES	27,972	29,774
Amortisation – Leasehold Improvements	-	294
Depreciation – Plant and Equipment	6,715	7,763
DEPRECIATION OF NON-CURRENT ASSETS	6,715	8,057
Interest	4,293	10,833
Amortisation – Borrowing costs	114	105
FINANCE COSTS – BANK LOANS & OVERDRAFTS	4,407	10,938
OPERATING LEASE EXPENSES	42,968	39,222
Impairment of Fixed Assets	-	2,437
Impairment of Goodwill	41,356	23,116
IMPAIRMENT OF NON-CURRENT ASSETS	41,356	25,553

NOTE 4: INCOME TAX

	Note	30-Jun-11 $'000	30-Jun-10 $'000
(a) The components of tax expense:			
Current tax		-	-
Deferred tax		-	-
TOTAL INCOME TAX EXPENSE		-	-
(b) The prima facie tax on profit differs from the income tax provided in the financial statements as follows:			
Profit / (Loss) Before Tax From Continuing Operations		(51,528)	(3,818)
Income tax calculated at 30%		(15,458)	(1,145)
Tax effect of amounts which are not deductible in calculating taxable income			
- Penalties and fines		3	5
- Non-assessable impairment write-downs		12,407	6,935
- Recoupment of prior year tax losses not previously brought to account		(766)	(10,002)
- current year losses not brought to account	12	3,457	4,188
- other non allowable items		357	19
INCOME TAX EXPENSE (BENEFIT)		-	-

The adjusted franking account balance is NIL at the year end (2010: Nil).

NOTE 5: DIVIDENDS

No dividends have been paid or declared during the period (2010: Nil)

NOTE 6: TRADE AND OTHER RECEIVABLES

	30-Jun-11 $'000	30-Jun-10 $'000
Trade receivables	145	249
TOTAL TRADE AND OTHER RECEIVABLES	145	249

NOTE 7: INVENTORIES

	30-Jun-11 $'000	30-Jun-10 $'000
Finished goods at cost	3,025	3,139
TOTAL INVENTORIES	3,025	3,139

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	125
Prepayments	1,539	2,223
Other debtors	465	287
TOTAL OTHER CURRENT ASSETS	2,129	2,635

NOTE 10: PLANT AND EQUIPMENT

	Note	30-Jun-11 $'000	30-Jun-10 $'000
Leasehold Improvements at cost		12,426	11,892
Accumulated Depreciation		(1,078)	(759)
		11,348	11,133
Plant & Equipment at cost		44,266	43,665
Accumulated Depreciation		(29,997)	(23,600)
		14,269	20,065
TOTAL Plant & Equipment at cost		56,692	55,557
Accumulated Depreciation		(31,075)	(24,359)
TOTAL PLANT & EQUIPMENT		25,617	31,198

(a) Reconciliations

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

	Note	30-Jun-11 $'000	30-Jun-10 $'000
Leasehold Improvements			
Carrying amount at beginning		11,132	9,806
Additions		534	2,210
Impairment	3	-	(321)
Disposals		-	(268)
Depreciation / Amortisation expense		(318)	(294)
Total Leasehold Improvements		11,348	11,133
Plant & Equipment			
Carrying amount at beginning		20,064	27,469
Additions		602	3,020
Impairment	3	-	(2,116)
Disposals		-	(545)
Depreciation / Amortisation expense		(6,397)	(7,763)
Total Plant & Equipment		14,269	20,065
TOTAL PLANT AND EQUIPMENT		25,617	31,198

NOTE 11: INTANGIBLES

	Note	30-Jun-11 $'000	30-Jun-10 $'000
Movement for the Year			
Opening net book amount		149,652	172,768
Disposal		(392)	(7,101)
Impairment on disposed assets		392	7,101
Impairment Charge	3	(41,356)	(23,116)
Closing net book value		108,296	149,652
At Year End			
Goodwill at cost		262,099	262,491
Impairment of goodwill		(154,195)	(112,839)
Net carrying amount		108,296	149,652

All goodwill acquired through business combinations is allocated to individual cash generating units (CGU's) for impairment testing. Each venue is considered as a separate CGU and no individual CGU is significant in comparison with the Groups net carrying amount of goodwill shown above.

The recoverable amount of the CGU's have been determined based on a value in use calculation using cash flow projections approved by the Board of Directors covering a five-year period, and a pre-tax discount rate of 15.51% per annum (2010: 15.51%).

Cash flows projections during the budget period incorporate an average of 3-5% (2010: 4-6%) revenue growth taking into consideration inflation, demographic trading conditions and growth potential of the CGU. Costs are calculated taking into account historical gross margins as well as the weighted average inflation rates. The cash flows projections beyond the five-year period have been extrapolated using a steady growth rate which reflects the industry average.

Impairment losses recognised in the year

An impairment loss based upon a value in use calculation of $41.356m (2010: $23.116m) relating to goodwill was recognised for continuing operations in the 2011 financial year. The impaired goodwill related to various venues held by NLG. The impairment loss has been recognised in the statement of comprehensive income in the line item of 'impairment of non-current assets'. The cash generating units consist of plant and equipment and goodwill of each venue. The impairment was provided for due to a combination of:

- no major capital expenditure (specifically) new gaming product, leading to a decline in future gaming performance;
- the likelihood in some format of the Wilkie proposal for pre-commitments;
- the uncertainty of the retail economy; and
- a continued contraction in household discretionary spending.

Due to the above, the current and forecast results for various venues held by NLG do not support the carrying value of the full amount of goodwill paid upon acquisition.

NOTE 12: DEFERRED TAX

	30-Jun-11 $'000	30-Jun-10 $'000
(a) Deferred taxation		
Deferred Tax assets:		
Employee benefits	393	313
Accrued expenditure	31	79
Plant & equipment	-	769
Tax losses brought to account	288	737
	712	1,898
Less: Deferred tax liabilities:		
Debt Forgiveness	-	1,898
Plant & equipment	712	-
Net deferred tax	-	-
Movements:		
Opening balance	-	-
Recognition of deferred tax assets	(1,186)	1,898
Recognition of deferred tax liabilities	1,186	(1,898)
Closing balance	-	-

The consolidated entity has recognised in the current financial year a Deferred Tax Asset in respect of deductible temporary difference and unused tax losses to the extent that taxable temporary differences exist against which the unused tax losses and unused tax credits can be utilised.

(b) Deferred tax asset not brought to account

As at 30 June 2011, the consolidated entity has estimated unrecouped income tax losses of $24.52m (2010: $13.96m). The benefit of these losses of $7.36m (2010: $4.19m) has not been brought to account as realisation is not probable.

The benefit will only be obtained if:

i) the Group derives future assessable income of a nature and an amount sufficient to enable the benefits from the deductions for the losses to be realised;
ii) the Group continues to comply with the conditions for deductibility imposed by the law; and
iii) no changes in tax legislation adversely affect the group in realising the benefit from the deductions for the losses.

NOTE 13: TRADE AND OTHER PAYABLES

	30-Jun-11 $'000	30-Jun-10 $'000
Trade payables	6,016	6,651
Other payables	11,484	9,345
TOTAL TRADE AND OTHER PAYABLES	17,500	15,996

NOTE 14: CURRENT BORROWINGS

SECURED CURRENT

Bank loans	156,729	-
Overdraft facility	1,000	-
TOTAL CURRENT BORROWINGS	157,729	-

Refer to note 16 for details in relation to these borrowings.

NOTE 15: PROVISIONS

Employee benefits	1,142	891
TOTAL CURRENT	1,142	891
Employee benefits	168	153
TOTAL NON-CURRENT	168	153
Aggregate employee entitlements liability	1,310	1,044

NOTE 16: BORROWINGS

SECURED NON-CURRENT

Bank Loans	-	153,216
TOTAL NON-CURRENT	-	153,216

Movement in carrying amount of total borrowings:

Opening balance	153,216	182,382
Net proceeds from bank borrowings	4,400	-
Amortisation – Borrowing costs	113	105
Debt forgiven	-	(29,271)
Balance at end of year	157,729	153,216

NOTE 16: BORROWINGS (continued)

Effective 6 June 2011, Goldman Sachs (Asia) Finance (GSAF) on behalf of its clients and itself, acquired NAB's senior secured credit facilities. NLG understands that the terms of the deal are confidential.

The terms of the facility agreement remain as per the terms defined in the Fifteenth Deed of Amendment and Restatement between NLG and NAB, which structures the debt as follows:

Tranche D $60,000,000 accrues Interest daily at the bank bill swap rate plus a margin payable monthly in arrears.

Tranche E $60,000,000 accrues Interest daily at the bank bill swap rate plus a margin payable quarterly in arrears subject to terms defined under the terms of the lending agreement.

Tranche F $36,729,389 accrues Interest daily at the bank bill swap rate plus a margin monthly in arrears subject to terms defined under the terms of the lending agreement.

The total financing facilities available to the Group at the reporting date are included in Note 19(c).

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.

The current financing facility expires 31 January 2012.

NOTE 17: CONTRIBUTED EQUITY

(a) Issued and paid up capital

	30-Jun-11 $'000	30-Jun-10 $'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 2011		Consolidated and Parent Entity 2010	
	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

NOTE 17: CONTRIBUTED EQUITY (continued)

(c) Share options

Officer and Employee Options

Details of total options issued as at 30 June 2011:

Name	Grant Date	Expiry Date	Exercise Price	Balance at start of year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Vested and exercisable at end of the year
Craig Laundy[1]	29 May 2007	22 Jun 2011	0.4800	3,000,000	-	-	3,000,000	-	-
Andrew Jolliffe[2]	29 May 2007	22 Jun 2011	0.4800	3,000,000	-	-	3,000,000	-	-
Craig Laundy[1]	29 May 2007	22 Dec 2011	0.5300	1,000,000	-	-	-	1,000,000	1,000,000
Andrew Jolliffe[2]	29 May 2007	22 Dec 2011	0.5300	1,000,000	-	-	-	1,000,000	1,000,000
Craig Laundy[1]	29 May 2007	22 Jun 2012	0.5800	1,000,000	-	-	-	1,000,000	1,000,000
Andrew Jolliffe[2]	29 May 2007	22 Jun 2012	0.5800	1,000,000	-	-	-	1,000,000	1,000,000
Peter Dransfield[3]	7 Dec 2009	7 Dec 2013	0.0169	500,000	-	-	-	500,000	500,000
David Greek	7 Dec 2009	7 Dec 2013	0.0169	500,000	-	-	-	500,000	500,000
Craig Laundy[1]	7 Dec 2009	7 Dec 2013	0.0169	500,000	-	-	-	500,000	500,000
Andrew Jolliffe[2]	7 Dec 2009	7 Dec 2013	0.0169	500,000	-	-	-	500,000	500,000
Peter Dransfield[3]	7 Dec 2009	7 Dec 2013	0.0133	300,000	-	-	-	300,000	300,000
David Greek	7 Dec 2009	7 Dec 2013	0.0133	300,000	-	-	-	300,000	300,000
Craig Laundy[1]	7 Dec 2009	7 Dec 2013	0.0133	300,000	-	-	-	300,000	300,000
Totals				12,900,000	-	-	6,000,000	6,900,000	6,900,000

[1] Craig Laundy is a director, shareholder and beneficiary of Laundy Hotel Consulting Pty Ltd <Craig Laundy Family A/C> which holds the options referred to above.
[2] Andrew Jolliffe is a director and shareholder and beneficiary of Loquat Tree Pty Ltd <Jolliffe Family A/C> which holds the options referred to above.
[3] Peter Dransfield has a beneficial interest in Layrir Pty Ltd which holds the options referred to above.

NOTE 17: CONTRIBUTED EQUITY (continued)

Fair Value of equity instruments

The Director Options have been valued at the reporting date using Black-Scholes analysis calculator. The assumptions underlying the Director Options valuations are:

Issue Date	Total Number of shares under option	Exercise price of option	Share price on issue date	Volatility %	Option Value	Number of days until vested	Value $,000
7 Dec 2009	2,000,000	0.0169	0.033	15	0.0198	-	39.6
7 Dec 2009	900,000	0.0133	0.033	15	0.0198	-	17.8
Total	2,900,000						57.4

These options carry no voting rights and no rights to dividends.

Capital Management

Management controls the capital of the Group in order to maximise its debt to equity ratio and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. The gearing ratio for the year ended 30 June 2011 and 2010 are as follows:

	Note	30-Jun-11 $'000	30-Jun-10 $'000
Total borrowings	16	157,729	153,216
Less cash and cash equivalents	19(b)	(5,120)	(3,082)
Net Debt		152,609	150,134
Total equity		(32,207)	19,354
Total capital		120,402	169,488
Gearing Ratio		127%	88%

NOTE 18: RESERVES

	30-Jun-11 $'000	30-Jun-10 $'000
(a) Cash flow hedge reserve:		
Balance at the beginning of the year	-	(362)
Gain / (loss) recognised on cash flow hedge	-	-
Interest rate swaps recognised in profit or loss	-	362
Balance at end of the year	-	-
(b) Option reserve:		
Balance at the beginning of the year	50	-
Share-based payments	8	50
Balance at end of the year	58	50
Total reserves	58	50

Cash flow hedge reserve
The cash flow hedge reserve represents the cumulative portion of gains and losses on hedging instruments deemed effective in cash flow hedges. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, consistent with the Groups accounting policy.

Options Reserve
The share option reserve arises on the grant of share options to directors and employees. Amounts are transferred out of reserve and into issued capital when the options are exercised

NOTE 19: CASH FLOW INFORMATION

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

	30-Jun-11 $'000	30-Jun-10 $'000
Net Profit / (Loss) after income tax	(51,528)	(3,818)
NON-CASH ITEMS		
Depreciation and amortisation	6,715	8,057
Impairment of non-current assets	41,356	25,553
Gain on loan forgiven	-	(29,271)
Net (gain) / loss on sale of leasehold venues	-	813
Change in derivatives designated at fair value	133	(133)
Borrowing costs amortised	114	105
Share options	8	50
CHANGE IN OPERATING ASSETS AND LIABILITIES		
Decrease in trade receivables	104	28
(Increase) / decrease in inventory	114	296
Decrease / (increase) in other current assets	506	(1,027)
Increase / (decrease) in trade and other creditors	428	(5,882)
Increase / (decrease) in employee entitlements	266	143
NET CASH FLOW FROM OPERATING ACTIVITIES	(1,784)	(5,086)

(b) Reconciliation of cash

	30-Jun-11 $'000	30-Jun-10 $'000
Cash balance comprises:		
- Cash at bank and on hand	5,120	3,082
Closing cash balance	5,120	3,082

(c) Credit stand-by arrangement and loan facilities

The consolidated entity has a $1,000,000 bank overdraft facility available (2010: Nil).

The consolidated entity has a syndicated multi-option facility available to the extent of $156,729,389 (2010: $156,729,389). As at 30 June 2011 the consolidated entity has used $156,729,389 (2010:$153,329,389) of the facility.

Refer to note 16 for details of security given.

NOTE 20: COMMITMENTS FOR EXPENDITURE

	30-Jun-11 $'000	30-Jun-10 $'000
(i) Future minimum rentals under non-cancellable operating leases not provided for in these financial statements, payable:		
- Not later than one year	41,541	40,019
- Later than one year, not later than five years	181,528	174,966
- Later than 5 years	614,210	652,454
Total future minimum lease payments not provided for	837,279	867,439

The 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 21: EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used to calculate basic and diluted earnings per share are as follows:

	2011 cents	2010 cents
Basic & diluted earnings per share	(10.41)	(0.77)

Due to losses incurred all potential ordinary shares that could potentially dilute basic earnings per share in the future were considered to be anti-dilutive and therefore not included in a calculation of diluted earnings per share. Accordingly basic and diluted earnings per share equate.

When calculating diluted earnings per share, the Company ordinarily assumes the exercise of dilutive options of the Company. However, due to the exercise price of options on issue and the average market price of ordinary shares during the year ended 30 June 2011, the options on issue do not have a dilutive effect in calculating diluted earnings per share for the year ended 30 June 2011.

	2011 $'000	2010 $'000
Profit / (loss) after income tax	(51,528)	(3,818)
Weighted average number of ordinary shares used in calculating basic earnings per share	495,191,812	495,191,812

NOTE 22: FINANCIAL RISK MANAGEMENT

(a) ***Financial Risk Management Policies***

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, accounts receivable and payable, bank loans and derivatives.

The main purpose of non-derivative financial instruments is to raise finance for Group operations.

Derivatives are used by the Group for hedging purposes. The only instruments used are interest rate swap agreements. The Group does not speculate in the trading of derivative instruments.

(i) Treasury Risk Management

A finance committee consisting of senior executives of the Group meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The committee's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

The finance committee operates under policies approved by the Board of Directors. Risk management policies are approved and reviewed by the Board on a regular basis. These include the use of hedging derivative instruments, credit risk policies and future cash flow requirements.

(ii) Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt. At 30 June 2011 none of the Group's debt is fixed. For further details on interest rate risk refer to note 22(b)(i).

Liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Credit risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when debtors or counterparties to derivative contracts fails to settle their obligations owing to the Group.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at the reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of financial position and Notes to the financial statements.

There are no material amounts of collateral held as security at 30 June 2011.

Credit risk is managed on a group basis and reviewed regularly by the finance committee. It arises from exposures to customers as well as through certain derivative financial instruments and deposits with financial institutions.

The finance committee monitors credit risk by actively assessing the rating quality and liquidity of counter parties:

- only banks and financial institutions with an 'A' rating are utilised;
- all potential customers are rated for credit worthiness taking into account their size, market position and financial standing; and
- customers that do not meet the Group's strict credit policies may only purchase in cash or using recognised credit cards.

NOTE 22: FINANCIAL RISK MANAGEMENT (continued)

The credit risk for counterparties included in trade and other receivables at 30 June 2011 is detailed below:

	2011	2010
	$000	$000
Counterparties not rated (trade receivables)	145	249
Total	145	249

Credit risk for derivative financial instruments arises from the potential failure by counter-parties to the contract to meet their obligations. The credit risk exposure to interest rate swaps is the net fair value of these contracts as disclosed in Note 18(a).

The consolidated group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the consolidated group.

(b) Financial Instruments

(i) Derivative Financial Instruments

Derivative financial instruments are used by the consolidated group to hedge exposure to interest rate risk associated with movements in interest rates which impact on the borrowings of the consolidated group. Transactions for hedging purposes are undertaken without the use of collateral as only reputable institutions with sound financial positions are dealt with.

Interest Rate Swaps

Interest rate swap transactions entered into by the consolidated group to exchange variable and fixed interest payment obligations to protect long-term borrowings from the risk of fluctuation in interest rates. The consolidated group has variable interest rate debt and enters into swap contracts to pay interest at fixed rates to the extent of the debt covered by the interest rate swaps.

The board and management monitor interest rates on a monthly basis and at the reporting date zero% (2010: 95%) of the consolidated group's borrowing facility is under a swap contract. In previous years, the settlement dates of the swap contracts correspond with interest payment dates of the borrowings which require settlement of net interest payable or receivable every 30 days. The swap contracts require settlement of the net interest receivable or payable and are brought to account as an adjustment to borrowing costs.

When the interest rate becomes more volatile an interest rate swap would be considered.

At the reporting date, the details of interest rate swap contracts are:

	Notional Principle Fixed			
	2011	2010	2011	2010
	%	%	$'000	$'000
Less than a year	-	3.68	-	145,000
1 to 2 years	-	-	-	-
2 to 5 years	-	-	-	-

NOTE 22: FINANCIAL RISK MANAGEMENT (continued)

(ii) Financial instrument interest rate risk and maturity analysis

30-Jun-2011	Weighted Average Interest Rate %	Floating interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	Total $'000
Financial Assets					
Cash and deposits	0.21%	5,120	-	-	5,120
Trade & other receivables	-	-	-	145	145
Deposits Paid	-	-	-	125	125
		5,120	-	270	5,390
Financial Liabilities					
Trade creditors and other payables	-	-	-	17,500	17,500
Borrowings	7.20%	157,729	-	-	157,729
		157,729	-	17,500	175,229
Net financial assets / (liabilities)		(152,609)	-	(17,230)	(169,839)

The tables below summarises the Group's interest rate risk together with the weighted average interest rates at the reporting date.

30-Jun-2010	Weighted Average Interest Rate %	Floating interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	Total $'000
Financial Assets					
Cash and deposits	0.40%	3,082	-	-	3,082
Trade & other receivables	-	-	-	249	249
Deposits Paid	-	-	-	125	125
Other financial assets	3.8%	-	133	-	133
		3,082	133	374	3,589
Financial Liabilities					
Trade creditors	-	-	-	15,996	15,996
Borrowings	7.34%	153,216	-	-	153,216
Other payables	-	-	-	519	519
		153,216	-	16,515	169,731
Net financial assets / (liabilities)		(150,134)	133	(16,141)	(166,142)

The maturity analysis for financial assets and liabilities showing the remaining contractual maturities is presented below.

Year ended 30 Jun 2011	< 6 Months $'000	6 – 12 months $'000	1 – 5 Years $'000	> 5 Years $'000
Financial Assets				
Cash and deposits	5,120	-	-	-
Trade & other receivables	145	-	-	-
Deposits Paid	125	-	-	-
Other financial assets	-	-	-	-
Total Financial Assets	5,390	-	-	-
Financial Liabilities				
Trade creditors and other payables	16,907	390	203	-
Borrowings	-	157,729		-
Total Financial Liabilities	16,907	158,119	203	-
Net Financial Assets	(11,517)	(158,119)	(203)	-

NOTE 22: FINANCIAL RISK MANAGEMENT (continued)

Year ended 30 Jun 2010	< 6 Months	6 – 12 months	1 – 5 Years	> 5 Years
	$'000	$'000	$'000	$'000
Financial Assets				
Cash and deposits	3,082	-	-	-
Trade & other receivables	249	-	-	-
Deposits Paid	125	-	-	-
Other financial assets	133	-	-	-
Total Financial Assets	3,589	-	-	-
Financial Liabilities				
Trade creditors	15,996	-	-	-
Other payables	-	-	519	-
Borrowings	-	-	153,216	-
Total Financial Liabilities	15,996	-	153,735	-
Net Financial Assets	(12,407)	-	(153,735)	-

(iii) Net Fair Values

The net fair value of:

- other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value and approximates their carrying amount as disclosed in the statement of financial position and Notes to the accounts.

- interest rate swaps are the present value of the future net interest cash flows.

- other assets and other liabilities approximate their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than interest rate swaps.

Fair value measurement recognised in the statement of financial position

Fair value hierarchy

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

Level 1: fair value measurement are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability either directly (as prices) or indirectly (derived from prices).
Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
30 June 2011				
Derivative financial assets	-	-	-	-
30 June 2010				
Derivative financial liabilities	-	133	-	133

NOTE 22: FINANCIAL RISK MANAGEMENT (continued)

(iv) Sensitivity Analysis

Interest Rate Risk, Foreign Currency Risk and Price Risk

The Group has performed a sensitivity analysis relating to its exposure to interest rate risk at the reporting date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in this risk.

Interest Rate Sensitivity Analysis

At 30 June 2011, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2011	2010
	$000	$000
Change in profit		
- Increase in interest rate by 1%	(600)	(82)
- Decrease in interest rate by 1%	600	82
Change in equity		
- Increase in interest rate by 1%	(600)	(82)
- Decrease in interest rate by 1%	600	82

The sensitivity analysis for the year ended 30 June 2011 has been prepared on the basis that an interest increase or decrease of 1% was reasonably possible during the period to the reporting date of 30 June 2011. As per the terms defined in the lending agreement interest has been paid on Tranche D during the year ended 30 June 2011. The interest paid on 100% of the debt has been floating during the year ended 30 June 2011, the sensitivity analysis has been performed to calculate the additional or decreased amount of interest relating to Tranche D that would have been payable on the variable portion of the loan balances had the interest rate during the financial year ended 30 June 2011 been 1% higher or lower.

The sensitivity analysis for the year ended 30 June 2010 has been prepared on the basis that an interest increase or decrease of 1% was reasonably possible during the period to the reporting date of 30 June 2010. As interest paid on 95% of the debt was fixed during the year ended 30 June 2010, the sensitivity analysis has been performed to calculate the additional or decreased amount of interest that would have been payable on the variable portion of the loan balances had the interest rate during the financial year ended 30 June 2010 been 1% higher or lower.

Liquidity risk

Liquidity risk is the risk that NLG Group may encounter difficulties raising funds to meet commitments associated with financial instruments, e.g. borrowing repayments.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

The nature of NLG Group's revenue streams generally provide upfront payment from customers allowing the Group to raise cash levels before committing to expenditures.

Furthermore, the nature of the Group's activities provide for an even spread of cash outflows during the year (eg. wages, stock purchases) which enables management to accurately forecast cash positions and manage the Group's liquidity position accordingly.

NOTE 23: DIRECTORS' AND EXECUTIVES' COMPENSATION

Names and position of each person holding key management personnel roles at any time during the financial year are:

(i) Directors

Peter Dransfield	Chairman – Non-Executive
Dan Brady	Director and Chief Executive Officer – appointed 17 January 2011
David Greek	Non-Executive Director
Craig Laundy	Non-Executive Director
Andrew Jolliffe	Appointed Non-Executive Director on 30 June 2010 and resigned 26 December 2010

(ii) Executives

Name	Position
Karen Chaston	Chief Financial Officer

(b) Compensation of key management personnel

Refer to the Remuneration Report in the Directors' Report for detailed compensation disclosure on key management personnel. The Group has provided disclosures regarding compensation of key management personnel in the Remuneration Report in the Directors' Report.

(c) Summarised compensation of key management personnel

	Consolidated	
	30-Jun-11	30-Jun-10
	$	$
Short-term employment benefits	804,551	1,120,105
Post employment benefits	40,495	78,098
Other long-term benefits	-	-
Termination benefits	-	-
Share-based payments	-	49,608
	845,046	1,247,811

NOTE 24: DIRECTORS' AND EXECUTIVES' EQUITY HOLDINGS

(a) Compensation Options

Since the end of the reporting period, no options were issued under the Officer and Employee Options Deed.

(b) Shares issued on exercise of compensation options

During and since the end of the reporting period, no shares were issued on exercise of options issued under the Officer and Employee Options Deed.

NOTE 24: DIRECTORS' AND EXECUTIVES' EQUITY HOLDINGS (continued)

(c) Number of options held by key management personnel

The following table sets out the relevant interest in options in NLG by key management personnel, during the financial year.

2011	Balance at the start of the year	Granted as remuneration	Options exercised	Net change other	Balance 30-June-11	Total vested 30-Jun-11	Total exercisable 30-Jun-11	Total un-exercisable 30-Jun-11
Directors								
Peter Dransfield	800,000	-	-	-	800,000	800,000	800,000	-
David Greek	800,000	-	-	-	800,000	800,000	800,000	-
Craig Laundy[1]	5,800,000	-	-	(3,000,000)	2,800,000	2,800,000	2,800,000	-
Andrew Jolliffe[2]	5,500,000	-	-	(3,000,000)	2,500,000	2,500,000	2,500,000	-
Executives								
Dan Brady	-	-	-	-	-	-	-	-
Karen Chaston	-	-	-	-	-	-	-	-

[1] Craig Laundy is a director, shareholder and beneficiary of Laundy Hotel Consulting Pty Ltd <Craig Laundy Family A/C> which holds 1,000,000 options with an exercise price of $0.53 each expiring 22/12/2011 and 1,000,000 options with an exercise price of $0.58 each expiring 22/06/2012. 3,000,000 options lapsed during the year ended 30 June 2011.

[2] Andrew Jolliffe is a director and shareholder and beneficiary of Loquat Tree Pty Ltd <Jolliffe Family A/C> which holds the options referred to above. 3,000,000 options lapsed during the year ended 30 June 2011.

2010	Balance at the start of the year	Granted as remuneration	Options exercised	Net change other	Balance 30-June-10	Total vested 30-Jun-10	Total exercisable 30-Jun-10	Total un-exercisable 30-Jun-10
Directors								
Peter Dransfield	-	800,000	-	-	800,000	500,000	500,000	300,000
David Greek	-	800,000	-	-	800,000	500,000	500,000	300,000
Craig Laundy[1]	5,000,000	800,000	-	-	5,800,000	5,500,000	5,500,000	300,000
Executives								
Andrew Jolliffe[2]	5,000,000	2,500,000	-	(2,000,000)	5,500,000	5,500,000	5,500,000	-
Dan Brady	-	-	-	-	-	-	-	-
Karen Chaston	-	-	-	-	-	-	-	-

[1] Craig Laundy is a director, shareholder and beneficiary of Laundy Hotel Consulting Pty Ltd <Craig Laundy Family A/C> which holds 3,000,000 options with an exercise price of $0.48 each expiring 22/06/2011, 1,000,000 options with an exercise price of $0.53 each expiring 22/12/2011 and 1,000,000 options with an exercise price of $0.58 each expiring 22/06/2012.

[2] Andrew Jolliffe is a director and shareholder and beneficiary of Loquat Tree Pty Ltd <Jolliffe Family A/C> which holds the options referred to above. 2,000,000 options lapsed during the year ended 30 June 2010.

NOTE 24: DIRECTORS' AND EXECUTIVES' EQUITY HOLDINGS (continued)

(d) Number of shares held by key management personnel

The following table sets out the relevant interest in shares in NLG by key management personnel, during the financial year.

2011	Balance at the start of the year	Received as remuneration	Options exercised	Net change other	Balance 30 June 2011	Net change since 30 June 2011	Balance 30 August 2011
Directors							
Peter Dransfield	938,625	-	-	-	938,625	-	938,625
David Greek	-	-	-	-	-	-	-
Craig Laundy	70,807,453	-	-	(3,945,272)	66,862,181	-	66,862,181
Executives							
Dan Brady	-	-	-	-	-	-	-
Karen Chaston	-	-	-	-	-	-	-

2010	Balance at the start of the year	Received as remuneration	Options exercised	Net change other	Balance 30 June 2010	Net change since 30 June 2010	Balance 23 September 2010
Directors							
Peter Dransfield	938,625	-	-	-	938,625	-	938,625
David Greek	-	-	-	-	-	-	-
Craig Laundy	78,807,453	-	-	(8,000,000)	70,807,453	(1,500,000)	69,307,453
Executives							
Andrew Jolliffe	2,445,272	-	-	-	2,445,272	-	2,445,272
Karen Chaston	-	-	-	-	-	-	-
Dan Brady	-	-	-	-	-	-	-

NOTE 25: LOANS TO KEY MANAGEMENT PERSONNEL

No key management personnel held any loans with the Company during the financial year (2010: NIL).

NOTE 26: AUDITOR'S REMUNERATION

	30-Jun-11	30-Jun-10
	$	$
Amounts received or due and receivable by PKF or their related entity for:		
- An audit or review of the financial report of the entity and any other entity in the consolidated entity	182,500	160,305
- Other Assurance and Taxation Services	87,280	960
	269,780	161,265

NOTE 27: RELATED PARTY DISCLOSURES

(a) Subsidiaries

The consolidated financial statements include the financial statements of National Leisure & Gaming Limited and its controlled entities listed below:

	Country of Incorporation	Percentage Owned	
		2011	2010
Parent Entity:			
National Leisure & Gaming Limited	Australia		
Subsidiaries of National Leisure & Gaming Limited			
NLG Operations Pty Ltd	Australia	100%	100%
NLG Properties Pty Ltd	Australia	100%	100%
NLG Finance Pty Ltd	Australia	100%	100%
NLG (New South Wales) Pty Ltd	Australia	100%	100%
NLG (New South Wales) Trust	Australia	100%	100%
Hedz No. 10 Pty Ltd	Australia	100%	100%
Hedz No. 11 Pty Ltd	Australia	100%	100%
Hedz No. 12 Pty Ltd	Australia	100%	100%

(b) Other transactions with key management personnel and directors

During the financial year David Greek was also a director of Zorba Financial Services, a supplier to the consolidated entity. During the reporting period, $1,113,918 (2010:$1,014,693) was paid by the Company for accounting services provided on arms length commercial terms and conditions.

During the financial year Andrew Jolliffe was a director of Field 5 Consultancy Pty Ltd, a supplier to the consolidated entity. During the reporting period, $120,000 (2010:Nil) was paid by the Company for consultancy services provided on arms length commercial terms and conditions.

There were no other transactions with key management and Directors.

NOTE 28: SEGMENT INFORMATION

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

NOTE 29: 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.

NOTE 30: PARENT ENTITY INFORMATION

	Parent Entity	
Information relating to National Leisure and Gaming Limited	30-Jun-11 $'000	30-Jun-10 $'000
Current assets	34	43,369
Total assets	85	43,460
Current liabilities	311	243
Total liabilities	327	246
Issued capital	149,500	149,500
Share Options	58	50
Accumulated losses	(149,800)	(106,336)
Total shareholders equity	(242)	43,214
Profit / (loss) of the parent entity	(43,463)	(27,346)
Total comprehensive income of the parent entity	(43,463)	(27,346)

(a) Wholly-owned group transactions

All transactions between entities within the wholly-owned Group during the reporting period have been eliminated on consolidation.

	Parent Entity	
	30-Jun-11 $'000	30-Jun-10 $'000
Aggregate net amounts receivable from entities in the wholly-owned group at balance date		
Current – Receivable from wholly-owned entities	-	43,275

(b) Deed of cross guarantee

A deed of cross guarantee exists between NLG and all the subsidiaries of NLG. Relief is obtained from preparing a financial report for the subsidiaries of NLG under ASIC Class Order 98/1418. Under the deed, NLG guarantees to support the liabilities and obligations of all of its subsidiaries.

Currently, National Leisure and Gaming Limited have no contractual commitments for the acquisition of property, plant or equipment, or contingent liabilities other than the guarantees in place covered by the deed of cross guarantee.

NOTE 31: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Estimates of the potential financial effect of contingent liabilities that may become payable:

Information relating to National Leisure and Gaming Limited	30-Jun-11 $'000	30-Jun-10 $'000
SECURED		
Guarantee to company's bankers supported by a first ranking registered debenture charge from NLG Operation Pty Ltd	1,472	1,486

There were no material contingent assets as at 30 June 2011 (2010: Nil).

DIRECTORS DECLARATION

The Directors of National Leisure & Gaming Limited declare that:

(a) in the Directors' opinion, the attached financial statements and notes and the Remuneration report in the Directors' Report are in accordance with the Corporations Act 2001, and:

(i) give a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance, for the financial year ended on that date; and

(ii) comply with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB) as disclosed in Note 1;

(c) the General Manager and Chief Financial Officer have given the declaration required by section 295A of the Corporations Act 2001 for the financial year ended 30 June 2011; and

(d) in the Directors' opinion, there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

At the date of this Declaration there are reasonable grounds to believe that the Group entities which are party to the Deed of Cross Guarantee (entered into for the purpose of ASIC Class Order 98/1418) will be able to meet any obligations or liabilities to which they are, or may have become subject to by virtue of the Deed.

This resolution has been made in accordance with a resolution of the Directors.

On behalf of the Directors

Peter Dransfield
Chairman

Dan Brady
Director

Sydney
30 August 2011

Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REPORT

To the members of National Leisure & Gaming Limited

Report on the Financial Report

We have audited the accompanying financial report of National Leisure & Gaming Limited, which comprises the statement of financial position as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies, other explanatory information, and the directors' declaration of National Leisure & Gaming Limited (the company) and the consolidated entity. The consolidated entity comprises National Leisure & Gaming Limited and the entities it controlled at the year end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of National Leisure & Gaming Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Tel: 61 2 9251 4100 | Fax: 61 2 9240 9821 | www.pkf.com.au
PKF | ABN 83 236 985 726
Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia

Independence

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

Opinion

In our opinion:

(a) the financial report of National Leisure & Gaming Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1(a) in the financial report which indicates the consolidated entity incurred a net loss of $51.5m during the year ended 30 June 2011. As at that date, the consolidated entity's current liabilities exceeded its current assets by $165.9m, and the consolidated entity had net liabilities of $32.2m.

These conditions, along with other matters as set forth in note 1(a), indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and, therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

We have audited the Remuneration Report included under the heading 'Remuneration Report' in the Directors' Report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of National Leisure & Gaming Limited for the year ended 30 June 2011, complies with section 300A of the *Corporations Act 2001*.

PKF

PKF

Arthur Milner
Partner

Sydney

Dated this 30th day of August 2011