

**SkyCity Entertainment Group Limited
Interim Financial Statements
for the six month period ended
31 December 2023**

For and on behalf of the Board:



Julian Cook
Chair of the SkyCity Board



Chad Barton
Chair of the Audit Committee

21 February 2024



Independent auditor's review report

To the shareholders of SkyCity Entertainment Group Limited

Report on the interim financial statements

Our conclusion

We have reviewed the interim financial statements of SkyCity Entertainment Group Limited (the Company) and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2023, and the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the six month period ended on that date, and notes, comprising material accounting policy information and other explanatory information.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements of the Group do not present fairly, in all material respects, the financial position of the Group as at 31 December 2023, and its financial performance and cash flows for the six-month period then ended, in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) and New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34).

Basis for conclusion

We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 (Revised) *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410 (Revised)). Our responsibilities are further described in the *Auditor's responsibilities for the review of the interim financial statements* section of our report.

We are independent of the Group in accordance with the relevant ethical requirements in New Zealand relating to the audit of the annual financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements. In addition to our role as auditor, our firm carries out other services for the Group in the areas of tax compliance, tax advisory, provision of market survey data relating to executive remuneration levels, specified reporting to the Supervisor of the Group's retail bond, and agreed-upon procedures in relation to: compliance with banking and debt covenants, the allocation of Community Trust revenue, the shareholder vote count at the Annual General Meeting, share-based payment calculations, and the reconciliation of underlying results to reported results. The provision of these other services has not impaired our independence.

Emphasis of matter - uncertainty regarding the outcome of regulatory proceedings

We draw attention to Note 9 in the interim financial statements, which indicates that the Group has recognised a provision of \$78.7 million for a potential civil penalty and legal costs associated with the civil penalty proceedings filed by the Australian Transaction Reports and Analysis Centre (AUSTRAC) against SkyCity Adelaide Pty Ltd (SkyCity Adelaide) on 7 December 2022 alleging contraventions by SkyCity Adelaide under the Australian Anti-Money Laundering and Counter-Terrorism Financing Act 2006. Note 9 also describes that SkyCity Adelaide and AUSTRAC have now jointly informed the Court that the parties have come to an agreement in relation to the contraventions of and the amount of civil penalty they would jointly propose as appropriate in the circumstances subject to finalisation of a Statement of Agreed Facts and Admissions. Notwithstanding the indication provided to the Court, the final amount of any civil penalty and associated legal cost that SkyCity Adelaide may be required to pay remains uncertain and is a matter for the discretion of the Court. Any eventual civil penalty applied by the Court may be significantly different than the provision. Refer to Note 9 for further information regarding the associated uncertainties.



We also draw attention to Note 12(a), which indicates that SkyCity operates in a highly regulated industry and has seen continued focus on the casino industry in both New Zealand and Australia. Note 12(a), in conjunction with Note 9, provides further details on certain ongoing matters for which the final outcomes are uncertain and of which the impacts, if any, are currently uncertain.

Our conclusion is not modified in respect of these matters.

Responsibilities of the Directors for the interim financial statements

The Directors of the Group are responsible on behalf of the Company for the preparation and fair presentation of these interim financial statements in accordance with IAS 34 and NZ IAS 34 and for such internal control as the Directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities for the review of the interim financial statements

Our responsibility is to express a conclusion on the interim financial statements based on our review. NZ SRE 2410 (Revised) requires us to conclude whether anything has come to our attention that causes us to believe that the interim financial statements, taken as a whole, are not prepared in all material respects, in accordance with IAS 34 and NZ IAS 34.

A review of interim financial statements in accordance with NZ SRE 2410 (Revised) is a limited assurance engagement. We perform procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand) and consequently does not enable us to obtain assurance that we might identify in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Who we report to

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

The engagement partner on the review resulting in this independent auditor's review report is Richard Day.

For and on behalf of:

A handwritten signature in black ink, appearing to read 'Richard Day', written over a faint, illegible background.

Chartered Accountants
21 February 2024

Auckland

SkyCity Entertainment Group Limited
Income Statement
For the six month period ended 31 December 2023

		Unaudited	Unaudited
		6 months	6 months
		31 December	31 December
		2023	2022
	Notes	\$'000	\$'000
Revenue	5	440,426	437,128
NZICC fire related income		2,422	21,968
Other income		1,488	3,128
NZICC fire related expenses		(3,329)	(50,100)
Employee benefits expense		(161,011)	(149,480)
Impairment		-	(3,568)
Other expenses		(66,140)	(71,094)
Directors' fees		(597)	(542)
Gaming taxes and levies		(26,484)	(27,302)
Direct consumables		(32,960)	(29,292)
Marketing and communications		(10,788)	(11,459)
Regulatory penalties	9	(37,758)	-
Community contributions, sponsorships and donations		(5,171)	(4,949)
Fair value losses on investment properties		-	(8,447)
Share of profits from associates		892	349
Earnings before interest, taxes, depreciation and amortisation (EBITDA)		100,990	106,340
Depreciation and amortisation		(41,067)	(42,343)
Depreciation on right-of-use assets		(3,180)	(3,121)
Earnings before interest and tax (EBIT)		56,743	60,876
Net finance costs		(8,715)	(15,848)
Profit Before Income Tax		48,028	45,028
Income tax expense	6	(25,482)	(22,179)
Profit for the Period Attributable to Shareholders of the Company		22,546	22,849

Earnings per share for Profit Attributable to the Shareholders of the Company

Basic and diluted earnings per share	3.0	3.0
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The above income statement should be read in conjunction with the accompanying notes.

SkyCity Entertainment Group Limited
Statement of Comprehensive Income
For the six month period ended 31 December 2023

	Unaudited 6 months 31 December 2023 \$'000	Unaudited 6 months 31 December 2022 \$'000
Profit for the Period	22,546	22,849
Other Comprehensive Income		
Items that may be subsequently reclassified to profit or loss		
Foreign Currency Translation Reserve		
Exchange differences on translation of overseas subsidiaries	(2,921)	(12,463)
Cash Flow Hedge Reserve		
Cash flow hedges - revaluations	(9,313)	(7,425)
Cash flow hedges - transfer to finance costs	8,297	13,015
Cash flow hedges - income tax	285	(1,565)
Cost of Hedging Reserve		
Cost of hedging reserve - revaluations	(268)	(4,127)
Cost of hedging reserve - transfer to finance costs	579	462
Cost of hedging reserve - income tax	(87)	1,026
Other Comprehensive Income for the Year, Net of Tax	<u>(3,428)</u>	<u>(11,077)</u>
Total Comprehensive Income for the Year	<u>19,118</u>	<u>11,772</u>

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

SkyCity Entertainment Group Limited
Balance Sheet
As at 31 December 2023

	Unaudited	30 June
	31 December	2023
Notes	2023	2023
	\$'000	\$'000
ASSETS		
Current Assets		
Cash and cash equivalents	188,216	245,013
Receivables and prepayments	32,188	50,833
Inventories	8,656	8,582
Derivative financial instruments	-	489
Current tax receivables	-	12
NZICC fire recoveries	8,335	11,613
Other current assets	-	2,000
Assets classified as held for sale	8 13,000	-
Total Current Assets	250,395	318,542
Non-current Assets		
Deferred tax assets	7 27,882	25,465
Finance lease receivable	14,270	13,978
Derivative financial instruments	8,732	11,943
Investments in associates	46,092	43,200
Investment properties	108,812	108,803
Property, plant and equipment	1,696,837	1,652,476
Intangible assets	562,867	566,553
Right-of-use assets	122,693	122,538
Total Non-current Assets	2,588,185	2,544,956
Total Assets	2,838,580	2,863,498
LIABILITIES		
Current Liabilities		
Payables and provisions	9 237,035	215,997
Current tax liabilities	18,999	42,849
Derivative financial instruments	465	17
Lease liabilities	2,254	3,045
Interest bearing liabilities	45,814	45,814
Lease income in advance	39,815	39,815
Total Current Liabilities	344,382	347,537
Non-Current Liabilities		
Interest bearing liabilities	10 521,172	525,666
Non-current payables	19,611	19,097
Deferred tax liabilities	57,947	56,100
Lease liabilities	119,008	116,840
Deferred licence value	262,444	262,444
Derivative financial instruments	8,479	5,617
Total Non-current Liabilities	988,661	985,764
Total Liabilities	1,333,043	1,333,301
Net Assets	1,505,537	1,530,197
EQUITY		
Share capital	1,344,790	1,343,027
Reserves	(13,863)	(10,435)
Retained earnings	174,610	197,605
Total Equity	1,505,537	1,530,197

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

SkyCity Entertainment Group Limited
Statement of Changes in Equity
For the six month period ended 31 December 2023

	Share Capital \$'000	Reserves \$'000	Retained Earnings \$'000	Total Equity \$'000
Balance as at 1 July 2023	1,343,027	(10,435)	197,605	1,530,197
Total comprehensive income	-	(3,428)	22,546	19,118
Dividends paid	-	-	(45,541)	(45,541)
Share rights issued for employee service	1,727	-	-	1,727
Net movement in treasury shares	36	-	-	36
Balance as at 31 December 2023	1,344,790	(13,863)	174,610	1,505,537
Balance as at 1 July 2022	1,340,556	(4,445)	235,163	1,571,274
Total comprehensive income	-	(11,077)	22,849	11,772
Share rights issued for employee service	1,648	-	-	1,648
Net movement in treasury shares	(17)	-	-	(17)
Balance as at 31 December 2022	1,342,187	(15,522)	258,012	1,584,677

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

SkyCity Entertainment Group Limited
Statement of Cash Flows
For the six month period ended 31 December 2023

	Unaudited	Unaudited
	6 months	6 months
	31 December	31 December
	2023	2022
	\$'000	\$'000
Cash Flows from Operating Activities		
Receipts from customers	432,495	429,808
Payments to suppliers and employees	(264,436)	(240,260)
Government grants	260	331
Other insurance income	-	1,744
Gaming taxes and levies paid	(30,899)	(30,815)
Income taxes paid	(49,958)	(940)
Net Cash Inflow from Operating Activities	87,462	159,868
Cash Flows from Investing Activities		
Proceeds from disposal of assets held for sale	-	7,812
Capital additions	(77,321)	(81,686)
Purchased intangible assets	(3,461)	(2,966)
NZICC fire related income	-	160,030
NZICC fire related expenses	(797)	(58,758)
Net Cash (Outflow)/Inflow from Investing Activities	(81,579)	24,432
Cash Flows from Financing Activities		
Cash flows associated with net derivatives	810	1,371
Proceeds from new borrowings	-	20,000
Repayment of borrowings	-	(98,000)
Movement in treasury shares	36	(17)
Interest paid	(12,694)	(14,819)
Dividends paid to company shareholders	(45,541)	-
Lease interest paid	(3,299)	(3,220)
Repayment of lease liabilities	(1,992)	(1,789)
Net Cash Outflow from Financing Activities	(62,680)	(96,474)
Net (Decrease)/Increase in Cash and Cash Equivalents	(56,797)	87,826
Cash and cash equivalents at the beginning of the period	245,013	48,698
Cash and Cash Equivalents at End of the Period	188,216	136,524

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

1 General Information

SkyCity Entertainment Group Limited (the **Company**) and its subsidiaries (together, **SkyCity** or the **Group**) operate in the gaming, entertainment, hotel, convention, hospitality and tourism sectors. The Group has operations in New Zealand and Australia.

The Company is a limited liability company incorporated and domiciled in New Zealand. The Company is registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The address of its registered office is 99 Albert Street, Auckland. The Company is listed on the New Zealand stock exchange and has a foreign exempt listing on the Australian stock exchange (**NZX** and **ASX** respectively).

These interim financial statements of the Group for the six months ended 31 December 2023 have been reviewed but have not been audited. They were approved for issue by the Board of Directors (**Board**) on 21 February 2024.

For the purposes of complying with generally accepted accounting practice in New Zealand (**GAAP**), the Group is a for-profit entity.

2 Basis of Preparation

These interim financial statements have been prepared in accordance with GAAP. They comply with the New Zealand equivalent to International Accounting Standard (NZ IAS) 34 Interim Financial Reporting, International Accounting Standard (IAS) 34 Interim Financial Reporting and the NZX Listing Rules.

These interim financial statements do not include all the notes normally included in the annual financial statements. Accordingly, these interim financial statements should be read in conjunction with the Group's annual report for the year ended 30 June 2023.

Measurement Basis

These interim financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain assets and liabilities, as identified in the 30 June 2023 annual financial statements.

Presentation Currency

These interim financial statements are presented in New Zealand dollars, which is the Company's functional currency. Amounts are rounded to the nearest thousand dollars, unless otherwise stated.

Non-GAAP Financial Information

The Group's standard profit measure prepared under GAAP is profit for the period. When discussing financial performance, the Group also uses non-GAAP financial information, which is not prepared in accordance with GAAP and therefore may not be comparable to similar financial information presented by other entities. The Directors and management believe that this non-GAAP financial information provides useful information to readers of the financial statements to assist them in understanding the Group's financial performance and is consistent with the information used internally to evaluate the performance of the business units.

Definitions of non-GAAP financial information used in these financial statements are:

- EBITDA: earnings before interest, tax, depreciation, and amortisation; and
- EBIT: earnings before interest and tax

Critical Accounting Estimates and Judgements

The preparation of interim financial statements requires the use of certain critical accounting estimates and the exercise of judgement regarding the application of accounting policies.

These interim financial statements are prepared using the same significant judgements and estimates as were used in the preparation of the 30 June 2023 annual financial statements and as disclosed below:

- the SkyCity Adelaide Pty Limited (**SkyCity Adelaide**) casino licence, which has a finite useful life, is tested for impairment at each reporting period. There is no recognition of impairment in the current period;

2 Basis of Preparation (continued)

- in some instances, judgement is required to determine whether a payment that may occur in the future constitutes a provision or a contingent liability. A provision is recognised where an obligating event that gives rise to a requirement to make a payment has occurred. Where a provision is recognised, estimation of the value at which it will be recognised is required. Information on the Group's provisions is provided in note 9 and information on the Group's contingent liabilities is provided in note 12; and
- judgement and estimation are required when determining the amount of deferred tax assets to be recognised. Further information is provided in note 7.

3 Material Accounting Policies

All material accounting policies applied in these interim financial statements are consistent with those applied in the audited 30 June 2023 annual financial statements and are consistently applied to all periods presented, unless otherwise stated.

4 Segment Information

Operating segments are reported in a manner consistent with the internal reports that the Chief Executive Officer, who is the chief operating decision maker, uses to assess performance and allocate resources.

From 1 July 2023, the Group restructured to reflect its decision to materially reduce SkyCity's international activities. As a consequence of this restructure, there is no longer a separate International Business operating segment. Comparative information has been restated and amounts previously recognised in the International Business segment are incorporated into the operating segment to which they now relate.

Online gaming historically included in the Other NZ Operations segment is now shown separately to better reflect its potential for material growth in the future. Comparative information for the Other NZ Operations segment has been restated to reflect that change.

The Group is organised into the following main operating segments:

SkyCity Auckland

This segment consists of the Group's Auckland operations and includes casino operations, hotels and conventions, including the New Zealand International Convention Centre (**NZICC**), food and beverage, the Sky Tower, investment properties and a number of other related activities.

Other NZ Operations

This segment consists of the Group's operations at SkyCity Hamilton, SkyCity Queenstown and SkyCity Wharf.

SkyCity Adelaide

This segment consists of the Group's Adelaide operations, which comprise casino operations, a hotel and food and beverage.

Online

This segment comprises the Group's online gaming operations.

Corporate/Group

This segment includes head office functions, funding entities and the investment in the Group's associate (Gaming Innovation Group Inc (**GiG**)). It is not considered an operating segment.

SkyCity Entertainment Group Limited
Notes to the Financial Statements
For the six month period ended 31 December 2023
(continued)

4 Segment Information (continued)

Six Months Ended 31 December 2023	SkyCity Auckland \$'000	Other NZ Operations \$'000	SkyCity Adelaide \$'000	Online \$'000	Corporate/ Group \$'000	Total \$'000
Gaming revenue	208,006	33,293	81,131	-	-	322,430
Online revenue	-	-	-	5,567	-	5,567
Non-gaming revenue	72,473	5,463	35,858	-	39	113,833
Other income	1,254	-	-	-	234	1,488
NZICC fire income	2,422	-	-	-	-	2,422
Share of net profit of associate	-	-	-	-	892	892
Total Income	284,155	38,756	116,989	5,567	1,165	446,632
Expenses	(162,424)	(22,027)	(98,782)	(2,555)	(18,767)	(304,555)
Regulatory penalties and fees	(5,000)	-	(32,758)	-	-	(37,758)
NZICC fire expenses	(3,329)	-	-	-	-	(3,329)
Depreciation and amortisation	(18,876)	(2,584)	(15,939)	-	(6,848)	(44,247)
Segment Profit/(Loss) (EBIT)	94,526	14,145	(30,490)	3,012	(24,450)	56,743
Net finance costs	-	-	-	-	-	(8,715)
Profit Before Income Tax	-	-	-	-	-	48,028

Restated

Six Months Ended 31 December 2022	SkyCity Auckland \$'000	Other NZ Operations \$'000	SkyCity Adelaide \$'000	Online \$'000	Corporate/ Group \$'000	Total \$'000
Gaming revenue	202,290	36,479	95,506	-	-	334,275
Online revenue	-	-	-	7,867	-	7,867
Non-gaming revenue	57,492	5,659	35,001	-	36	98,188
Other income	2,899	26	-	-	202	3,128
NZICC fire income	21,968	-	-	-	-	21,968
Share of net profit of associate	-	-	-	-	349	349
Total Income	284,649	42,164	130,507	7,867	587	465,775
Expenses	(157,477)	(19,265)	(109,788)	(2,234)	(17,003)	(305,767)
NZICC fire expenses	(50,100)	-	-	-	-	(50,100)
Impairment	(3,568)	-	-	-	-	(3,568)
Depreciation and amortisation	(19,234)	(2,706)	(16,966)	(21)	(6,537)	(45,464)
Segment Profit/(Loss) (EBIT)	54,270	20,193	3,753	5,612	(22,953)	60,876
Net finance costs	-	-	-	-	-	(15,848)
Profit Before Income Tax	-	-	-	-	-	45,028

5 Revenue

	6 months 31 December 2023 \$'000	6 months 31 December 2022 \$'000
Gaming	321,026	331,073
Non-gaming	113,833	98,188
Online gaming	5,567	7,867
Total Revenue	440,426	437,128

Gaming revenue represents the net win to the casino from gaming activities, being the difference between amounts wagered and amounts won by casino patrons. Gaming rebates are accounted for as a reduction in gaming revenue.

Online revenue represents New Zealand online casino revenue generated from New Zealand players, using technology developed by GiG, and operating under a Malta gaming licence held by Silvereye Entertainment Limited (a subsidiary of GiG). Revenue is reported net of GiG's costs allowable under the arrangement. SkyCity is not the principal transacting with online casino customers.

Non-gaming revenue includes revenue generated from hotels and conventions, food and beverage, the Sky Tower, car parking and other sources.

5 Revenue (continued)

	6 months 31 December 2023 \$'000	6 months 31 December 2022 \$'000
Notes		
Reconciliation to the Segment Note		
Total revenue	5 440,426	437,128
Other income	1,488	3,128
Share of net profit of associate	892	349
NZICC fire related income	<u>2,422</u>	21,968
Total Income	<u>445,228</u>	462,573
Gaming rebates	<u>1,404</u>	3,202
Total Income as per Segment Note	<u>446,632</u>	465,775

6 Income Tax Expense

	31 December 2023 \$'000	31 December 2022 \$'000
Profit before tax	<u>48,028</u>	45,028
Prima facie income tax @ 28%	13,448	12,607
Items non-deductible for tax purposes	1,092	1,361
Items non-assessable for tax purposes	(1,868)	(1,611)
Differences in overseas tax rates	(1,571)	(1,416)
Investment property adjustments	(132)	(30)
Prior period adjustments	2,169	(18)
NZICC fire capital (income)/expenses	254	7,877
Fair value adjustment on investment property	-	2,123
Non-deductible regulatory penalties provision	11,228	-
Controlled foreign company regime	844	1,366
Other	18	(80)
Income Tax Expense	<u>25,482</u>	22,179

The weighted average applicable tax rate is 53.1% (six months to 31 December 2022: 49.3%). The weighted average tax rate has been impacted by:

- non-deductible regulatory penalties provision;
- fair value adjustments (comparative period only); and
- NZICC fire capital (income)/expense (comparative period only).

Excluding these items, the weighted average tax rate would have been 29.4% (six months to 31 December 2022: 27.6%).

7 Deferred Tax Assets

Deferred tax assets relate to the Group's Australian tax group and other foreign operations (excluding Malta).

The Group has recognised a deferred tax asset on tax losses of A\$95.9m (30 June 2023: A\$93.7m) in relation to its Australian entities. The tax losses have predominantly arisen as a result of the COVID 19 pandemic impacting SkyCity Adelaide's operations and South Australian tourism, with the expanded SkyCity Adelaide property largely not able to operate at full capacity for the majority of time since opening in December 2020. In addition, accelerated tax depreciation on the Adelaide property expansion and expenditure incurred in relation to the ongoing SkyCity Adelaide regulatory reviews have also contributed to the tax loss position. It is possible to carry forward Australian tax losses indefinitely and these losses do not have an expiry date. The Group has determined it is probable that taxable profits will be derived in future periods against which the tax losses can be utilised. The Group engaged Deloitte to prepare an independent valuation for the Adelaide cash generating unit for the purposes of impairment testing. A key input into the valuation is the five-year forecast which has been adopted by the Board. This forecast of future earnings has been the basis for the assessment that future taxable profit will be available against which the temporary differences can be utilised. It is anticipated based on the five-year forecast that tax losses will be fully utilised by the year ended 30 June 2030. The Group reviews future loss utilisation at each reporting date.

8 Assets Classified as Held for Sale

	31 December 2023	30 June 2023
	\$'000	\$'000
Land	13,000	-
Total Assets Held for Sale	13,000	-

In October 2023, a conditional sale and purchase agreement was entered into in relation to development land in Queenstown and, consequently, the land has been reclassified from property, plant and equipment to held for sale at 31 December 2023.

9 Payables and Provisions

	31 December 2023	30 June 2023
	\$'000	\$'000
Trade payables	25,309	23,639
Deferred income	29,841	36,671
Accrued expenses	45,102	36,226
Employee benefits	50,996	51,686
NZICC car park obligation	-	10,788
Other provisions	2,115	7,978
Regulatory penalties provision	83,672	49,009
Total Payables and Provisions	237,035	215,997

Provisions

Provisions are recognised in relation to a number of matters, including the civil penalty proceedings commenced by the Australian Transaction Reports and Analysis Centre (**AUSTRAC**) against SkyCity Adelaide and the civil penalty proceedings commenced by the Department of Internal Affairs (**Department** or **DIA**) against SkyCity Casino Management Limited (**SCML**).

9 Payables and Provisions (continued)

NZICC Car Park Obligation

As at 30 June 2023, the Group had recognised a provision to reconstruct the assets associated with the initial 600 NZICC car parks that were transferred to MPF Parking NZ Limited (**Macquarie**) under a concession agreement signed in April 2019, pursuant to which Macquarie was granted a long term concession until 2048 over the SkyCity Auckland car parks located at both the SkyCity Auckland main site and the NZICC construction site in return for consideration of \$220.0 million (plus GST) (**Car Park Concession Agreement**), but were subsequently damaged in the NZICC fire in October 2019.

The assets associated with those car parks were fully repaired in the current period, and accordingly, there is no provision recorded in respect of them as at 31 December 2023.

The Car Park Concession Agreement was terminated on 31 January 2024.

Regulatory Penalties Provision - AUSTRAC Proceedings

As detailed in the Group's financial statements for the year ended 30 June 2023, on 7 December 2022 AUSTRAC commenced civil penalty proceedings in the Federal Court of Australia (**Court**) against SkyCity Adelaide for alleged serious and systemic non-compliance with the Australian Anti Money Laundering and Counter Terrorism Financing Act 2006.

As at 30 June 2023, SkyCity had recognised a provision of A\$45.0 million (NZ\$49.0 million) in relation to the potential exposure to penalties and legal costs associated with the proceedings. This represented an estimate at the time of the potential exposure to penalties and legal costs arising from the proceedings having regard to a wide range of factors relevant to the determination of any penalty that may ultimately become payable by SkyCity Adelaide and external legal advice obtained by SkyCity and SkyCity Adelaide.

As at 31 December 2023, SkyCity increased the provision to A\$73.0 million (NZ\$78.7 million) following discussions with AUSTRAC and a case management hearing on 1 February 2024. SkyCity Adelaide and AUSTRAC have jointly informed the Court that the parties have come to an agreement in relation to the contraventions that SkyCity Adelaide would admit in the proceedings and the amount of a civil penalty they would jointly propose as appropriate in the circumstances subject to finalisation of a Statement of Agreed Facts and Admissions.

Notwithstanding the indication provided to the Court, the final amount of any civil penalty and associated legal costs that SkyCity Adelaide may be required to pay remains uncertain. The level of any penalty is a matter for the discretion of the Court and any eventual civil penalty applied by the Court to SkyCity Adelaide in relation to the proceedings may be significantly different than the provision. The timing of any civil penalty to be paid by SkyCity Adelaide is also uncertain.

Regulatory Penalties Provision - DIA Proceedings

On 16 February 2024 the Department filed civil penalty proceedings in the New Zealand High Court against SCML for non-compliance by SCML with the New Zealand Anti-Money Laundering and Countering Financing of Terrorism Act 2009 (**AML/CFT Act**). The Department's enforcement response follows a review of SCML's compliance with the AML/CFT Act.

SCML is a subsidiary of SkyCity and the holder of the casino operator's licence for the SkyCity Auckland, SkyCity Hamilton and SkyCity Queenstown casinos in New Zealand.

The pleadings set out five separate causes of action, being that SCML did not meet its obligations relating to its risk assessment, establishing, implementing and maintaining an AML/CFT compliance programme, monitoring accounts and transactions, conducting enhanced customer due diligence, and terminating existing business relationships. These alleged failures relate to largely, although not exclusively, historical matters. Some matters relate to incidents of non-compliance which have previously been self-reported to the Department.

In the event the Department's claim was to be accepted in whole or in part by the High Court, SCML would be subject to a civil penalty to be imposed by the Court as set out in subpart 3 of the AML/CFT Act. Under the AML/CFT Act and relevant case law, SkyCity and the Department assess SkyCity's maximum liability in relation to these claims as being NZ\$8.0 million in aggregate.

At 31 December 2023, SkyCity has recognised a provision for a potential civil penalty and associated legal fees of \$5.0 million in relation to the proceedings. This represents an estimate of the potential exposure to penalties and legal costs arising from the proceedings having regard to a wide range of factors relevant to the determination of any penalty that may ultimately become payable by SCML and external legal advice obtained by SkyCity. The final amount of any civil penalty and associated legal costs that SCML may be required to pay remains uncertain. The level of any penalty is a matter for the discretion of the High Court and any eventual civil penalty applied by the High Court to SCML in relation to the proceedings may be significantly different than the provision. The timing of any civil penalty to be paid by SCML is also uncertain.

10 Non-current Interest Bearing Liabilities

	31 December	30 June
	2023	2023
	\$'000	\$'000
USPP notes	348,867	353,812
New Zealand bonds	175,000	175,000
Deferred funding expenses	(2,695)	(3,146)
Total Non-current Interest Bearing Liabilities	<u>521,172</u>	<u>525,666</u>

(a) USPP Notes

The USPP fixed rate US dollar borrowings have been hedged and converted to New Zealand dollar floating rate borrowings by using cross-currency interest rate swaps to eliminate foreign exchange exposure to the US dollar.

USPP notes mature in March 2025 (US\$100.0 million), March 2028 (A\$65.4 million) and February 2030 (US\$75.0 million).

The movement in the amount of the USPP notes from 30 June 2023 relates to foreign exchange and interest rate movements.

(b) Syndicated Bank Facility

The syndicated banking facility is provided by ANZ (New Zealand and Australia), Commonwealth Bank of Australia, Bank of New Zealand, National Australia Bank and Westpac (New Zealand and Australia).

As at 31 December 2023, SkyCity had in place revolving credit facilities of:

- NZ\$135.0 million maturing 15 June 2024 (undrawn at the reporting date);
- NZ\$175.0 million maturing 15 June 2025 (undrawn at the reporting date); and
- NZ\$80.0 million maturing 15 July 2026 (undrawn at the reporting date).

In January 2024, certain tranches of the syndicated banking facility were restructured to extend the terms of facilities and in February 2024, one unutilised tranche of the syndicated banking facility was released early.

Post the above restructures, the syndicated bank facilities consist of:

- NZ\$175.0 million maturing 15 June 2025;
- NZ\$20.0 million maturing 15 July 2025;
- NZ\$80.0 million maturing 15 June 2026; and
- NZ\$57.5 million maturing 15 July 2027.

(c) New Zealand Bonds

\$175.0 million of six-year unsubordinated, unsecured redeemable fixed rate bonds were issued on 21 May 2021.

11 Commitments

Capital Commitments

Capital commitments largely comprise estimations for NZICC and Horizon Hotel construction completion and settlement of the termination of the Car Park Concession Agreement.

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

	31 December 2023 \$'000	30 June 2023 \$'000
Property, plant and equipment	266,368	296,377

Car Parks

As outlined in note 9, in April 2019 SkyCity entered into the Car Park Concession Agreement with Macquarie. The Car Park Concession Agreement allowed Macquarie to operate car parks at the SkyCity Auckland main site and the under construction NZICC site until 2048 for consideration of \$220.0 million (plus GST).

As a result of the October 2019 fire at the NZICC site, the 600 car parks at the NZICC site that had been made available to Macquarie were no longer able to be accessed by Macquarie and the additional 624 car parks at the NZICC site were not able to be made available to Macquarie by 31 December 2020. Under the terms of the Car Park Concession Agreement, the Group undertook to remediate the damage to the car parks, with Macquarie able to terminate the Car Park Concession Agreement if access to the car parks was not made available by 22 October 2022.

The Group was unable to provide access to the car parks within the required timeframe and Macquarie served a notice of termination of the Car Park Concession Agreement on 27 October 2022. On 11 December 2023, the Group and Macquarie agreed that the Group would take back the operation of all of the car parks that were the subject of the Car Park Concession Agreement on 31 January 2024, in return for a consideration of \$204.0 million (plus GST).

On 31 January 2024, all of the car parks under the Car Park Concession Agreement were returned to the Group and the Group paid \$204.0 million (plus GST) to Macquarie (note 13).

12 Contingencies

(a) Contingent Liabilities

SkyCity operates in a highly regulated industry. During the current period, there has been continued focus on the casino industry in both New Zealand and Australia.

SkyCity takes its regulatory obligations seriously and continues to engage proactively with its regulators and respond to their inquiries.

(i) Independent Review

As detailed in the Group's financial statements for the year ended 30 June 2023:

- on 1 July 2022, Consumer and Business Services (**CBS**) (the South Australian gaming regulator) advised that the South Australian Liquor and Gambling Commissioner (**Commissioner**) had appointed the Honourable Brian Martin AO KC to undertake an independent review of SkyCity Adelaide in accordance with Part 3 of the Casino Act 1997 (SA) to consider, amongst other things, whether SkyCity Adelaide is a suitable person to continue to hold the casino licence in South Australia, whether the Company is a suitable person to continue to be a close associate of SkyCity Adelaide, and, if SkyCity Adelaide or the Company is not a suitable person, what changes (if any) are required for that party to become a suitable person;
- on 6 February 2023, CBS advised that Mr Martin was of the view that it was not possible to reliably determine the question of suitability until the resolution of the civil penalty proceedings filed by AUSTRAC against SkyCity Adelaide on 7 December 2022 and, accordingly, the Commissioner had decided to put the independent review on hold until after the conclusion of those proceedings; and

12 Contingencies (continued)

- on 26 May 2023, the Commissioner issued a direction notice under section 10 of the Gambling Administration Act 2019 (SA), requiring SkyCity Adelaide to appoint a suitably qualified independent expert approved by the Commissioner to, amongst other things, review SkyCity Adelaide's anti-money laundering and counter terrorism (**AML/CTF**) and host responsibility enhancement programmes (together the **enhancement programmes**) and, if required, make amendments to those enhancement programmes, and monitor the implementation of those enhancement programmes by SkyCity Adelaide and SkyCity Adelaide's compliance with its AML/CTF and gambling harm minimisation obligations.

On 25 August 2023, Kroll Australia Pty Limited (**Kroll**) was appointed as the independent expert by SkyCity Adelaide.

Prior to any findings being made or a final report being provided by Mr Martin, it is not possible to determine what regulatory action, if any, might be applied to SkyCity Adelaide as a result of the independent review. Consequently, at the reporting date there is no present obligation and a provision has not been recognised in relation to this matter.

The Company and SkyCity Adelaide will continue to cooperate with CBS and Kroll and any further requests for information and/or documents.

(ii) Casino Duty

SkyCity Adelaide has had an ongoing contractual dispute with Revenue South Australia concerning the interpretation of the Casino Duty Agreement (**CDA**) in relation to the treatment of loyalty points converted to gaming machine play and the deduction of loyalty points earned for the purpose of calculating casino duty at the SkyCity Adelaide casino.

Both parties have agreed to seek declaratory relief from the South Australian Courts as to the proper construction of the CDA to determine the correct interpretation on both issues.

On 9 September 2022, SkyCity Adelaide filed a Statement of Claim in the Supreme Court of South Australia seeking relief in the nature of declarations relating to the dispute. On 17 November 2022, the Crown Solicitor's Office filed a cross claim which formulates Revenue South Australia's claim for the unpaid duty and interest in the event that Revenue South Australia's position as to the interpretation of the CDA is accepted.

The parties subsequently agreed that it would be appropriate to refer the questions of law to the Court of Appeal of South Australia and sought the approval of the Supreme Court to reserve the questions of law to the Court of Appeal. At directions hearings on 26 May 2023 and 9 June 2023, the Supreme Court considered and agreed to the parties' request for the questions of law to be heard directly by the Court of Appeal given the complexity of the issues involved and the likelihood of appeal from the Supreme Court. The proceedings were heard in the Court of Appeal on 13 October 2023 and a decision is expected on 22 February 2024.

There are a range of potential outcomes of the Court of Appeal's decision, including an unfavourable ruling that complimentary bets on gaming machines arising from the conversion of loyalty points should be included in gaming revenue, and/or that loyalty points earned from electronic gaming are not deductible from gaming revenue for the purpose of calculating casino duty. The estimated range of casino duty payable from the potential outcomes is from A\$0 to A\$13m, excluding any penalty interest if deemed applicable. However, no present obligation exists in connection with the dispute at 31 December 2023 and, consequently, the Group has not recognised a provision in relation to this matter.

(iii) Suspension Application

In September 2023, the Secretary for the Department of Internal Affairs (**Secretary**) made an application to the Gambling Commission (**Commission**) to temporarily suspend SCML's New Zealand casino operator's licence for a period "in the range of 10 days" pursuant to section 144(a) of the New Zealand Gambling Act 2003 (**Gambling Act**).

The application was made by the Secretary following a complaint made in February 2022 to the Department by a former customer who gambled at the SkyCity Auckland casino over the period from August 2017 to February 2021. The Secretary stated in the application that SCML did not comply with requirements in its SkyCity Auckland Host Responsibility Programme relating to the detection of incidents of continuous play by the customer.

Under section 144(a) of the Gambling Act, the Secretary may apply to the Commission for an order to suspend a casino licence if the Secretary is satisfied that the licence holder is breaching or has breached the Gambling Act or a condition of the casino licence or minimum operating standards. The Commission must then decide whether or not to grant the order sought by the Secretary and, if so, the duration of any such suspension after following the procedure set out in the Gambling Act, including considering written submissions and (if applicable) convening a hearing. The suspension application is scheduled to be heard in private in the week of 15 April 2024. The Commission's decision may not be forthcoming for a number of months following the hearing.

12 Contingencies (continued)

There are a range of potential outcomes of the Commission's decision, including an unfavourable ruling that would result in the temporary closure of the SkyCity Auckland, SkyCity Hamilton and SkyCity Queenstown casinos in New Zealand. The Group has not recognised a provision in relation to this matter.

(iv) Other Regulatory Matters

In addition to the matters outlined above and in note 9, the Group receives correspondence from and engages with its regulators from time to time as required regarding the Group's business operations, including in relation to regulator audits/reviews, adverse media about the Group's operations, and complaints made about the Group's business operations. In relation to these matters, the Group engages with the relevant regulator and responds to requests for information and documents as they arise.

In the case of any alleged wrongdoing by the Group, the appropriate regulatory response or action by a regulator (where contraventions are admitted or established) is very specific to the facts in each case and may include no action, a formal warning or, where the matter relates to the Group's casino operations, an application to suspend and/or cancel the relevant casino licence under the Gambling Act, South Australian Casino Act 1997 and/or South Australian Gambling Administration Act 2019 as applicable. Provisions are recognised in relation to such matters only where an obligation exists at the reporting date.

(b) Contingent Assets

The Group will seek recovery from The Fletcher Construction Company Limited (**Contractor**) for additional costs and losses associated with the NZICC fire that are not covered by the insurers. These include insurance excesses, payments to Macquarie under the Car Park Concession Agreement, additional project costs, and other items.

The Group has identified \$60.5 million (30 June 2023: \$55.8 million) of costs incurred to date where it does not believe that recovery is virtually certain at this time given the position currently being taken by the Contractor and by the insurers, and therefore no income has been recognised. However, recovery of these costs is considered probable and they are therefore included as a contingent asset. This does not include the full extent of the costs and losses that have been incurred or that could be claimed from the Contractor relating to the fire and construction delays.

There are no other significant contingent assets at 31 December 2023 (30 June 2023: no additional contingent assets).

13 Events Occurring after the Reporting Date

Syndicated Bank Facility

On 26 January 2024, SkyCity's syndicated bank facility was restructured to extend the terms of the facilities (note 10).

On 15 February 2024, one unutilised tranche of the syndicated banking facility was released early (note 10).

Auckland Car Park

On 31 January 2024, all of the car parks that were the subject of the Car Park Concession Agreement were returned to the Group and the Group paid \$204.0 million (plus GST) to Macquarie.

AUSTRAC Proceedings

On 1 February 2024, a case management hearing was held in relation to the AUSTRAC civil penalty proceedings at which the Court listed the matter for a hearing in relation to the civil penalty to be imposed on 7 June 2024 (note 9).

DIA Proceedings

On 16 February 2024, the Department filed civil penalty proceedings in the New Zealand High Court against SCML for non-compliance with the AML/CFT Act (note 9).

Dividend

On 21 February 2024, the Board of Directors resolved to pay an interim dividend in respect of the six months ended 31 December 2023. The unfranked, fully imputed dividend of 5.25 cents per share will be paid on 21 March 2024 to all shareholders on the Company's register at the close of business on 7 March 2024.