

14 August 2023

ACCOUNTING PROVISION IN RELATION TO AUSTRAC CIVIL PENALTY PROCEEDINGS, IMPAIRMENT OF SKYCITY ADELAIDE CASINO LICENCE, FY23 GUIDANCE CONFIRMED

Key Points

- The AUSTRAC civil penalty proceedings may result in SkyCity Adelaide being ordered to pay a penalty. However, AUSTRAC has not detailed the amount of any civil penalty it proposes to seek and those proceedings are at an early stage.
- Pursuant to accounting standard NZ IAS 37 in connection with the preparation of SkyCity's FY23 financial statements, a A\$45 million (NZ\$49 million) provision has been booked as at 30 June 2023 for a potential AUSTRAC civil penalty and associated legal costs.
- Considerable uncertainty remains regarding the amount of any civil penalty SkyCity Adelaide may be required to pay. Any eventual civil penalty may be significantly higher or lower than the provision. The timing of any civil penalty to be paid by SkyCity Adelaide is also uncertain.
- In addition, pursuant to accounting standard NZ IAS 36, the Adelaide casino licence has been impaired by A\$45.6 million (NZ\$49.7 million).
- The provision and impairment are non-cash, and do not impact normalised earnings for SkyCity's FY23 financial statements. SkyCity's FY23 Group normalised earnings remain in line with the guidance range provided on 24 May 2023 of NZ\$300 - \$310 million normalised EBITDA.
- SkyCity's FY23 financial statements remain subject to external audit.

AUSTRAC CIVIL PENALTY PROCEEDINGS PROVISION

On 7 December 2022, the Australian Transaction Reports and Analysis Centre (**AUSTRAC**) commenced civil penalty proceedings in the Federal Court of Australia (**Court**) against SkyCity Adelaide Pty Limited (**SkyCity Adelaide**) for alleged serious and systemic non-compliance with the Anti-money Laundering and Counter Terrorism Financing Act 2006 (Cth) (**AML Act**). Each of the contraventions alleged by AUSTRAC attracts a maximum civil penalty of between A\$18 million and A\$22.2 million per contravention. As AUSTRAC alleges that SkyCity Adelaide contravened the AML Act on an innumerable number of occasions, it is not possible to determine a maximum penalty for the alleged breaches.¹

In accordance with the requirements of accounting standard NZ IAS 37, SkyCity Entertainment Group Limited (**SkyCity**) has determined that it will recognise a provision of A\$45 million (NZ\$49 million) in relation to the civil penalty proceedings as at 30 June 2023. This provision is an estimate of the potential exposure to penalties and legal costs associated with the proceedings, and considers a wide range of parameters that could potentially be considered by AUSTRAC and the Court.

The proceedings remain at a relatively early stage with AUSTRAC and SkyCity Adelaide currently working towards agreeing facts and potential admissions before the Court identifies a process for any remaining disputed issues and any potential penalty to be determined. Estimating the potential exposure to penalties with any degree of accuracy

¹ Please refer to Note 14(a)(i) "Contingent Liabilities" of SkyCity's Interim Financial Results for the six-month period ended 31 December 2022 for further detail in relation to the allegations made by AUSTRAC.

at this stage of that ongoing process remains challenging, particularly given the outcome is highly dependent on a range of factors which are not yet known. The size of any penalty SkyCity Adelaide is exposed to could vary materially from the amount of the provision and significant uncertainties remain. Any eventual civil penalty applied to SkyCity Adelaide in relation to the proceedings may be significantly higher or lower than the provision. The timing of any civil penalty to be paid by SkyCity Adelaide is also uncertain.

Judgments in civil penalty proceedings brought by AUSTRAC to date² demonstrate that the Court's determination of the appropriate penalty (where contraventions are admitted or established) is very specific to the facts in each case and that the Court will have regard to a broad range of factors in determining an appropriate civil penalty, including the nature and extent of any contravention(s), loss and damage suffered as a result of any contravention(s), steps taken to improve existing systems, and the relative size and financial position of the business.

SkyCity Adelaide will continue to cooperate with AUSTRAC more generally, particularly in relation to the ongoing implementation of enhancements to its Adelaide AML/CTF control frameworks.

IMPAIRMENT OF SKYCITY ADELAIDE CASINO LICENCE

In addition, SkyCity has completed its annual impairment review and proposes to recognise in its FY23 financial statements an impairment of the value of the SkyCity Adelaide casino licence by A\$45.6 million (NZ\$49.7 million) pursuant to accounting standard NZ IAS 36. This impairment considers both the value and the timing of future discounted cashflows generated by the licence as assessed at 30 June 2023. Further details will be included in SkyCity's group financial statements for the year ended 30 June 2023.

GENERAL

The above-mentioned provision and impairment are non-cash, and do not impact normalised earnings for SkyCity's FY23 financial statements. SkyCity confirms that its Group FY23 normalised earnings remain in line with the guidance provided on 24 May 2023 of NZ\$300 - \$310 million normalised EBITDA.³

The provision, impairment and SkyCity's FY23 financial statements remain subject to external audit and final review by the SkyCity Board.

SkyCity will release its group financial statements for the year ended 30 June 2023 on 23 August 2023.

² AUSTRAC has commenced civil penalty proceedings against other companies on five occasions, one of which is yet to conclude. Notably, the four concluded AUSTRAC proceedings to date have led to the Federal Court ordering the respondent to pay significant civil penalties of between A\$45 million and A\$1.3 billion (Crown A\$450 million (2023); Tabcorp A\$45 million (2017); CBA A\$700 million (2018) and Westpac A\$1.3 billion (2020)).

³ Normalised EBITDA is EBITDA adjusted for International Business theoretical win rate, New Zealand International Convention Centre fire impact, asset impairment and property valuation - refer to page 23 of SkyCity's 1H23 results investor presentation for further detail.

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